



## Reserves Strategy to March 2031

### 1. Purpose

- 1.1 This document sets out the Police and Crime Commissioner for the West Midlands Reserves strategy up until March 2031. This includes details of reserves currently held, the purpose of the reserves and the predicted balances by 31 March 2031.

### 2. Reasons for holding reserves

- 1.2 The PCC must consider the required level of general policing fund balances that should be retained before deciding the level of council tax precept. General balances are maintained as a matter of prudence and to meet financial risks. They enable the PCC to provide for known and unknown risks and offer financial resilience.
- 1.3 Earmarked reserves are retained for specific risks and planned investments.
- 1.4 Provisions are retained for specific purposes or for known future financial obligations.
- 1.5 The reserves strategy has been drawn up within the parameters of the Financial Regulations adopted by the Police and Crime Commissioner. The use and maintenance of reserves is based on the following principles:
- Maintaining a working balance or general reserve to cover the effects of uneven cash flows and to avoid temporary borrowing.
  - Reserves in place to provide flexibility in managing future year's budget pressures.
  - Funding investment in the Change Programme including the Estates Strategy.
  - Earmarking specific funds to meet known or predicted requirements in the future.
  - Creating contingencies to cushion the impact of unexpected events or emergencies.
- 1.6 The reserves are split into two categories:
- i. Funding for planned expenditure on projects and programmes
  - ii. As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management.

### 3. Reserves Strategy

3.1 The Commissioner's overall reserves strategy is to use reserves over the medium term up to 2031 to support the medium-term financial strategy including the Change Programme and Estates Strategy. Over the next 5 years we will look to use a net £30.4m of reserves as detailed in the table below:

<b>Contribution to / (From) Reserves £m</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>
Estates Strategy / Change Programme	(7.1)	(4.6)	(1.4)	(1.1)	(1.0)
Carry Forward Reserve	(3.3)	(3.3)	0.0	0.0	0.0
Uniform and Equipment Reserves	0.4	(3.5)	(6.0)	4.2	3.9
Budget Reserve	(5.7)	0.0	0.0	0.0	0.0
Police Property Act / Drug Squad	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Office of PCC	(0.6)	(0.2)	0.0	0.0	0.0
POCA	(0.2)	0.0	0.0	0.0	0.0
National contingency	(0.4)	0.0	0.0	0.0	0.0
<b>Total</b>	<b>(17.0)</b>	<b>(11.7)</b>	<b>(7.5)</b>	<b>3.0</b>	<b>2.8</b>

3.2 Details of the planned movement in reserves are as follows:

- The Uniform and Equipment Reserve is being utilised to support the conversion of our fleet to non-ICE vehicles, along with smoothing out the costs of our IT&D replacement programme for mobility devices, laptops and airwaves.
- The Estates Strategy / Change Programme is being used to support the refurbishment costs of the estate's strategy (where expenditure cannot be capitalised), along with the one-off investment costs of our change projects.
- Balancing the 2026/27 budget utilising the budget reserve, including £1m to support the increased provision for the cost of ill health retirements whilst the Force continues to work with external partners to promote measures to prevent ill health and deal with it quickly and effectively when it arises to successfully return people to work.
- The carry forward is the draw down of the years 2 and 3 of the income received during 2024/25 to fund the CBRN PPE to mitigate the risks around future supply.
- The office of the PCC is drawing down prior year underspends to support ongoing activity along with £0.5m use of reserve to enhance the visibility

of the Victims Code of Practice, driving an increase in public trust and confidence.

- The POCA reserve is being utilised to support Operation Fearless, an operation to enhance problem-oriented policing in key high crime neighbourhoods in the West Midlands.
- The national contingency reserve is being support the legal costs associated with the ongoing Hillsborough legal compensation claims.

3.3 The budget reserve will be held at current levels from 2027/28 onwards, however, we will look to draw down on this to support setting a balanced budget over the medium term.

3.4 The table below details the current level of reserves held from the outturn for March 2026 through to the forecasted level by March 2031 based on use of / contribution to reserves detailed above.

Reserves £m	31st March 2026	31st March 2027	31st March 2028	31st March 2029	31st March 2030	31st March 2031
<b>Funding for Planned Expenditure on Projects &amp; Programmes - Revenue</b>						
Regional / National Reserve	8.4	8.4	8.4	8.4	8.4	8.4
PPA / Misuse of Drugs Act	2.0	1.9	1.7	1.6	1.5	1.3
POCA (Proceeds of Crime Act) Reserve	1.1	0.8	0.9	0.9	0.9	0.9
Change Programme / Estates Strategy Reserve	17.7	10.5	5.9	4.6	3.5	2.5
Carry Forward Reserve inc. Grant No Condition	7.4	4.1	0.8	0.8	0.8	0.8
Office of PCC	3.4	2.8	1.0	1.0	1.0	1.0
<b>Funding for Planned Expenditure on Projects &amp; Programmes – Capital</b>						
Useable Capital Receipts Reserve	14.8	17.7	19.2	8.0	2.4	2.4
Capital Grants Unapplied	0.8	0.8	0.8	0.8	0.8	0.8
<b>Reserves held in accordance with sound principles of good financial management</b>						
Uniform and Equipment Reserve	11.0	11.5	8.0	2.0	6.2	10.2
Budget Reserve	34.4	28.7	28.7	28.7	28.7	28.7
National Contingency Reserve	2.7	2.4	2.4	2.4	2.4	2.4
<b>Total Earmarked Reserves</b>	<b>103.7</b>	<b>89.6</b>	<b>77.8</b>	<b>59.2</b>	<b>56.5</b>	<b>59.3</b>
General Fund Reserve	16.7	16.7	16.7	16.7	16.7	16.7
<b>Total Useable Reserves</b>	<b>120.4</b>	<b>106.3</b>	<b>94.5</b>	<b>75.9</b>	<b>73.2</b>	<b>76.0</b>
Provisions	24.2	20.7	18.0	16.1	16.1	16.1
<b>Total Useable Reserves &amp; Provisions</b>	<b>144.6</b>	<b>127.0</b>	<b>112.5</b>	<b>92.0</b>	<b>89.4</b>	<b>92.2</b>

3.5 The total reserves of the West Midlands Police and Crime Commissioner forecast as of 31 March 2026 is 17.3% of the net revenue budget (NRB), if

funding is used as planned by March 2027 this will reduce to around 15.3% of the forecast NRB, dropping to 9.8% by the end of March 2031.

### **Individual Reserves**

3.6 The following paragraphs provide an explanation of each reserve split by Home Office Category.

### **Category (i) Funding for planned expenditure on projects and programmes**

#### **Regional / National Collaboration Reserve**

3.7 This reserve includes balances held for regional and national projects and Operations including the Regional Organised Crime Unit (ROCU), National Ballistics Intelligence Service (NaBIS), Mounted Unit, Lock-Up Museum, collaborations such as Forensics and Public Order Training, Road Safety Enforcement and County Lines. This reserve is therefore held by West Midlands on behalf of ourselves and other forces and partners. This reserve has been generated from in year under spends and will be agreed and drawn down annually over the course of the medium term in line with decisions made at the respective boards to support operational activity.

#### **Change Programme / Estates Strategy Reserve**

3.8 This reserve has been combined to more effectively use the reserve to meet the needs of change. In 2026/27 most of the planned usage is on large refurbishment programmes in the estate, as well as investing in digital media hubs to improve the investigation of digital crimes and the service to victims.

#### **Carry Forward Reserve**

3.9 This reserve is used to carry forward specific / agreed under spends from the revenue budget and will usually be utilised the following year. where approved one-off investments and changes cannot be made within a financial year it is customary to allow those to carry forward into the following year to enable work to complete Any unutilised carry forwards will be transferred to the budget reserve. This includes:

- Grant No Conditions across Business as Usual (BAU) Departments,
- PCC Carry forwards
- BAU requests to carry forward due to committed spend moving into future years.

#### **Drug Squad / PPA Reserve**

3.10 The Police Property Act (PPA) allows the Police to retain in full the money and other assets seized from criminals where that is not recovered under PACE. This contribution is used to partially fund the Commissioner's My Community Fund, which supports projects across the West Midlands.

### **POCA Reserve**

3.11 The Proceeds of Crime Act 2002, allows some of the value of seized criminal assets to be returned to Forces over time as criminal prosecutions come to court. The money is also distributed to other parties involved in these prosecutions. Any amount over that relied upon in-year, to support economic crime and other teams targeting seizures, is returned to this reserve to smooth the time delay between workload, seizure of goods and the return of money through the ARIS mechanism. In 2025/26 and 2026/27 this reserve is also being used to fund Operation Fearless, an operation to enhance problem-oriented policing in key high crime neighbourhoods in the West Midlands.

### **Useable Capital Receipts Reserve**

3.12 The capital receipts reserve holds the balance of receipts received through the sale of police assets and will be used to capital part of the Estates Strategy or BAU capital programme over the current medium-term financial planning cycle. It should be noted capital receipts can only be used for capital purposes.

### **Capital Grants Unapplied**

3.13 This reserve holds previous year's capital grants that have not yet been applied. The unapplied grants are ring-fenced to be used over the medium-term planning cycle.

## **Category (ii) Reserves held in accordance with sound principles of good financial management**

### **Budget Reserve**

3.14 The budget reserve is held to reduce the impact of financial pressures on service delivery. Due to the scale of the savings required to balance the medium-term plan, the Force has continued to drive savings in 2025/26 from increased income opportunities and reviewing staff vacancies. This will be transferred to the budget reserve and drawn down to help balance the medium-term plan allowing time to generate further long-term sustainable solutions.

### **Uniform and Equipment Reserves**

3.15 The Uniform & Equipment Reserve was created to mitigate the effects of legislative changes in uniform and equipment and to provide some flexibility if policies in relation to uniform and equipment issues change. The reserve has recently been expanded to cover the periodic replacement of major equipment such Tasers, laptops / desktop replacement and IT infrastructure and mobility devices (to support in smoothing the replacement cycle), along with supporting the switch to a greener fleet.

## **National Contingency Reserve**

- 3.16 This reserve is to fund projects and national policing initiatives the West Midlands may be required to contribute funding towards.

## **General Fund**

- 3.17 The Police Service, as one of the major emergency services, is required to respond to incidents of an unexpected nature over which it has little or no control. A major incident, or a series of events, could put extraordinary pressure on the budget in a particular year.
- 3.18 As a result, financial prudence dictates that a level of General Balances should be retained to provide resilience against the effect of such a situation.
- 3.19 The balance of the general fund has been assessed considering the financial risks included within the PCC and Force Risk Registers. A breakdown of these alongside the financial risk assessment against each category is shown in **Appendix 1**.
- 3.20 This provides the PCC with more accurate, timely and risk-based information on the type of issues that may have significant potential implications for the level of general fund reserves held, both now and in the future.
- 3.21 The biggest risk is the additional costs of one-off operational incidents or in-year emergencies that cannot be contained within budget or be fully grant funded by Government.
- 3.22 Nationally, Police and Crime Commissioners have provided financial guarantees to organisations in case they fail. This is in respect of the Police ICT Company, also known as Police Digital Services and the Association of Police and Crime Commissioners Association. In the unlikely event these guarantees are called in these will be funded from the general reserve.

## **Provisions**

- 3.23 The CIPFA Statement of Recommended Practice is prescriptive about when provisions are required (and when they are not permitted). A provision must be established for any material liabilities of uncertain timings or amount, to be settled by the transfer of economic benefits. In accordance with this statutory guidance West Midlands Police has established several provisions detailed in the table below:

<b>Provisions £m</b>	<b>31st March 2026</b>	<b>31st March 2027</b>	<b>31st March 2028</b>	<b>31st March 2029</b>	<b>31st March 2030</b>	<b>31st March 2031</b>
Insurance	16.1	16.1	16.1	16.1	16.1	16.1
Legal Compensation	8.1	4.6	1.8	0.0	0.0	0.0
<b>Total Provisions</b>	<b>24.2</b>	<b>20.7</b>	<b>17.9</b>	<b>16.1</b>	<b>16.1</b>	<b>16.1</b>

- 3.24 The insurance policies held by the PCC require a significant level of self-insurance, the level of this being recommended by independent advisers. The current provision is expected to be used within the next seven years, however future claims are also expected, the overall provision is expected to increase slightly year on year. The Insurance provision includes Public and Employers Liability, Motor Third Party and Fire and Uninsured Losses.
- 3.25 The Legal Compensation relates to Allard / Hillsborough prospective damages and legal costs in association with ongoing claims which are current live legal discussions.

## Appendix 1 – Financial Risk Assessment

The table below details the risks and implications if key budget assumptions vary during the year.

<b>Financial Risk Assessment</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Comment</b>
<b>The Capital Programme requirement changes as work streams develop, for example, development of the Estates Strategy.</b>	High	High	The programme has been written with some flexibility built in, but should strategic choices vary significantly the programme would be reviewed and re-shaped in line with the new requirement.
<b>Planned savings the estates strategy included within the Medium-Term Financial Plan are not achievable.</b>	High	High	Budget Managers have considered the planned savings and confirmed they believe them to be achievable, however if circumstances change and the planned level of savings is not achievable alternatives will be sought in year.
<b>Further Cost Transfer from National Programmes / Projects</b>	High	High	Further cost transfers from the centre (e.g., Emergency Services Network and IT company costs.)
<b>Headcount is not kept at the target, to secure Neighbourhood Grant funding</b>	Medium	High	The numbers must be maintained to keep grant funding. Terms and Conditions of the grant funding are not confirmed for 2026/27, neither is the penalty regime to be applied.
<b>Medium-Term funding remains unclear.</b>	Medium	High	A one-year settlement was received for 2026/27. Due to the nature of the funding settlement the future years funding remains unclear and could vary significantly to that planned. £1 change in precept results in £0.8m movement and 1% change in grant results in £7.5m movement in grant
<b>Pay awards in the future differ from the assumptions in our financial planning</b>	Medium	Medium	Current assumptions are in line with pay award offers to Police Officers and Staff. If pay awards are higher than this, the budget reserve will be used in year to meet any difference, net of increasing turnover and holding posts vacant to meet costs.
<b>General inflation is different to the assumptions included in the budget.</b>	Medium	Medium	A 1% increase would cost around £1.5m. Significant increases in building costs in the medium-term capital programme period could have an impact on some estimates.
<b>Increase in volume and/or cost of policing public order incidents linked to the general economic conditions or other factors</b>	Medium	Medium	Depending on the volume and complexity of any incidents, this could place a significant strain on current contingency budgets. In the first instance savings would look to be found across budgets areas. If this

			were not sufficient then reserves would need to be used.
<b>Interest rates increase</b>	Medium	Medium	The budget reflects the current rates of interest being received on investments. No further borrowing is planned currently.
<b>Short Term Grants not extended by 2025/26</b>	Medium	Medium	There are several short-term grants that are due to end in 2026/27. The mitigation is to stop the expenditure however this has a cost in terms of efficiency and positive outcomes. These include County Lines £5.4m, VRP £5.0m and Knife Crime Concentration Fund £2.8m
<b>Income levels not achieved</b>	Medium	Low	A 1% loss of income (excluding grants & interest) would cost around £1.4m.