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# 2022/23 Reserves Strategy

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| <b>Disclosable under Freedom of Information Act?</b> | Yes                        |

## **1. Introduction and background information**

- 1.1 The requirement for reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Act require precepting authorities (and billing authorities) in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 1.2 This report provides information on the estimated levels of reserves including unapplied receipts currently held and explains how some of these will be used over the next five years to help support the revenue budget and capital programme, ensure the Police and Crime Commissioner (PCC) and Chief Constable meet statutory responsibilities, manage critical risks and contribute towards key strategic initiatives. This reserves strategy is a fundamental part of the overall financial strategy for the PCC.
- 1.3 This strategy refers to different types of reserves held by the Commissioner, although it should be noted that in England and Wales, earmarked reserves remain legally part of the General Reserve, although they are accounted for separately.
- 1.4 There are a number of safeguards in place to support the financial planning and control process. These include:
- The balanced budget requirement (Local Government Act 1992 s32 and s43).
  - Chief Finance Officers duty to report on the robustness of estimates and adequacy of reserves (Local Government Act 2003 s25) when the PCC is considering the budget requirement.
  - Legislative requirements for each PCC to make arrangements for the proper administration of their financial affairs and that the Chief Finance Officer has responsibility for the administration of those affairs (section 151 of the Local Government Act 1972).
  - The requirements of the Prudential Code.
  - Auditors will consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based.
- 1.5 These requirements are reinforced by section 114 of the Local Government Finance Act 1988, which requires the Chief Finance Officer to report to the PCC if there is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the PCC is unable to meet its expenditure in a particular financial year. The issue of a section 114 notice cannot be taken lightly and has serious operational implications, and in the unprecedented event of such a notice being served, the PCC must consider it within 21 days and during that period the force

would be prohibited from entering into new agreements involving the incurring of expenditure.

1.6 Whilst it is the primary responsibility of the PCC and his Chief Finance Officer to maintain a sound financial position, external auditors will, as part of their wider responsibilities, consider whether audited bodies have established adequate arrangements to ensure that their financial position is sound. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual PCC's or authorities in general.

1.7 CIPFA's Prudential Code requires the Chief Finance Officers to have full regard to affordability when making recommendations about the Commissioners future capital programme. Such consideration includes the level of long-term revenue commitments. In considering the affordability of his capital plans, the Commissioner is required to consider all of the resources available to him and estimated with any certainty over the medium term, together with the totality of his capital plans and revenue forecasts for the forthcoming year and the following two years. There is a requirement for three-year revenue forecasts across the public sector and the PCC maintains a longer term five year Medium Term Financial Plan (MTFP) to the end of 2026/27 to achieve this. This is good practise and is an approach endorsed by CIPFA to promote and demonstrate resilience and financial sustainability. The MTFP will continue to be reviewed regularly and updated formally each year. The provisional finance settlement for 2022/23 was received on the 16<sup>th</sup> December 2021, and was confirmed in February 2022. It included the details regarding the revenue and capital grant for one year only, but provided higher level indicative figures of planned government spending for police, and the precept flexibility afforded to PCC's over a three year period covering the term of the spending review period.

1.8 CIPFA and the Local Authority Accounting Panel do not accept that there is a case for introducing a generally acceptable minimum level of reserves. Commissioners on the advice of their Chief Finance Officers should make their own judgements on such matters taking into account all relevant local circumstances. Such circumstances will vary between local policing areas and PCC's and will also vary over time. CIPFA has however provided some helpful guidance to public bodies on the establishment and maintenance of local authority reserves and balances, setting out key factors that should be taken into account locally in making assessments of the appropriate levels to be held.

1.9 This guidance is followed by the Treasurer in assessing the adequacy of reserves, and is documented within the annual budget report. The guidance enables a well-managed organisation, for example, with a prudent approach to budgeting being able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed. In assessing the appropriate level of reserves, such an organisation will ensure that the reserves are not only adequate, but are also necessary. The Home Office has however, indicated that it does not expect the level of reserves held by PCC's to be more than 5% of net revenue expenditure. Section 26 of the Local Government Act 2003 does give Ministers in England and Wales a general power to set a

minimum level of reserves for authorities. However, the government has undertaken to apply this only to individual authorities in the exceptional circumstances where the authority does not act prudently, disregards the advice of its Chief Finance Officer and is heading for serious financial difficulty.

- 1.10 The 2022/23 reserves strategy is a comprehensive revision to last years' reserve strategy. It includes the types of reserves held, their purpose, the risk assessment process for setting reserve levels, and how reserves are managed, deployed and monitored. The reserves strategy will continue to be updated annually to ensure that it is current and reflects local risks and circumstances.

## **2. The Commissioners approach to holding reserves:**

- 2.1 The use of a significant proportion of the Commissioner's reserves over the life of the Medium Term Financial Plan is an important element of the financial strategy. The Commissioner holds reserves for a variety of reasons. These are outlined within the annual budget report and the Medium Term Financial Plan. The reasons for holding reserves are however outlined below for completeness and clarity:

- To meet potential operational events where the precise event, date and amount required for such events cannot be accurately predicted. For example major events that would require the use of the General Reserves. These are detailed within the general reserve risk assessment included at appendix A.
- To address any fluctuations in government funding in the short-term and allow time for appropriate action to be taken to balance the budget.
- To meet forthcoming budget and transformational events where the precise date and amount is not always known with absolute certainty, but which will also support the force to navigate and make progress to achieve its new operating model for service, by supporting ad-hoc revenue and capital projects, including pump-priming invest to save initiatives.
- To support PCC work, where specific additional expenditure is met from this reserve which meets requirements.
- A reasonable amount to meet specific risks which can cause peaks, troughs in revenue expenditure in certain areas of the business including legal and insurance matters, pensions and income levels.
- To meet specific costs associated with road safety activity.
- To manage specific risks arising from any commercial activities undertaken
- To meet specific costs and risks associated with certain activities including arising from redundancies, legal challenges, pay levels, insurance, and enhanced sustainability measures.
- To meet specific costs associated with Covid and any other operational events..

### **3. Current Financial Climate:**

- 3.1 The current financial climate has grown increasingly uncertain during the Covid 19 crisis and the current economic challenges and rising costs of living are also creating further fiscal challenges. At the local level the force have been successful in recruiting their share of the 20,000 officers to date, and this should provide increased scope for other overtime costs and the transformation programme to be managed more effectively. 2022-23 will be the final year of the uplift programme. The force will recruit a further 55 officers, supported by more PCSO's and a more efficient and productive workforce enabled following recent investments in ICT. It is anticipated that the Force will remain on target for achieving its recruitment targets, but must also manage this carefully, particularly as the number of leavers is beginning to increase. The drive for achieving efficiency savings continues and in balancing the 2022/23 budget £0.201m of savings will be removed from the budget on 1 April 2022. The Empower programme will be the new vehicle for considering the optimum operating model for the force across the medium term. There will be three workstreams – place, people and technology with the aim of improving productivity and driving efficiency following the recent heavy investment in ICT. The programme will be the principal method of identifying savings options to address the £3m saving identified across the medium term financial plan to produce a balanced budget. The outcomes from the review will be known in early summer, and the options will continue to be considered and implemented during the course of the year.
- 3.2 Whilst further direct pressures are now considered less likely as a result of covid, as we all learn to live with covid, the international uncertainty created by war in Ukraine, and the resulting recovery, and the challenges with supply chains, rising inflation and cost of living increases are likely to have an impact for some time. Inflation has been provided for within the 2022-23 budget, but where inflationary increases particularly on energy costs, impacted further potentially by the conflict in Ukraine, may mean that inflation rises further and is sustained at higher levels for longer periods of time. Reserves may therefore be needed to support such additional costs as necessary.
- 3.3 The financial strategy for Warwickshire is to achieve a 'good and balanced budget'. The 2022/23 budget achieves this, with no routine reliance on reserves to meet day to day operating costs. The MTFP also highlights further savings of approximately £3m for the three years beyond 2023-24 and the Empower programme is undertaking early planning to address this.

### **4. Types of Reserve:**

This document aims to provide an over-arching strategy that defines the boundaries within which the approved budget and Medium Term Financial Plan (MTFP) operate. The types of reserve held are considered in turn below:

## The General Reserve

- 4.1 It has been established that General Reserves will be maintained at a level of £5million for 2022/23. This represents approximately 4% of net revenue expenditure. The £5.000m level has been retained since 2017/18, but net revenue expenditure has increased over that period. The Treasurer therefore advises that careful consideration should be given in future years to increase the general reserves so that they continue to represent between 4% and 5% of net revenue expenditure. In 2022/23, provision of £5.000m retains coverage within this range, and therefore an increase is not deemed necessary, especially given the extent of detailed budget work undertaken by the finance team, the ongoing success of the commercial services, healthy income streams, spending coming under control as the force have rebuilt services and emerged from the former strategic alliance and earmarked reserves being held to manage risk and future known commitments. However, in 2023/24 based on the MTFP, £5.000m of general reserve would equate to less than 4% of net revenue expenditure and as part of the budget process next year, this level should be reviewed. The adequacy of reserves statement, within the budget report, follows a risk based review of the level of reserves and provides some further context to the potential use or circumstances surrounding the use of the general reserve however, this is not exhaustive as new risks will emerge during the course of a year. The purpose of this reserve is essentially to provide for any unexpected operational expenditure that cannot be managed within existing budgets. Such expenditure would be expected to be one-off and resulting from an extraordinary event.
- 4.2 Authorisation to finance such expenditure must be obtained in advance from the Commissioners Chief Finance Officer, in accordance with the scheme of delegation and the protocol between the force and the PCC's office. Where time permits the request should be supported by a business case.
- 4.3 As the net budget position continues to change the level of general reserves must be monitored to ensure that it is maintained at an appropriate level.
- 4.4 Appendix A is an extract from the budget report for 2022/23 and outlines the adequacy of reserves statement and risk analysis undertaken by the Treasurer.

## Earmarked Reserves

- 4.5 Unlike general reserves earmarked reserves have been identified for specific events and risks where there are anticipated costs that can only be estimated. It is therefore prudent for the Commissioner to identify such areas of expenditure and set aside amounts that limit future disruption that could be caused by unforeseen events. Such expenditure usually arises out of changes in legislation, policy, or where the organisation is working on a specific project e.g. transformation or vetting. Expenditure relating to earmarked reserves has to specifically relate to the purpose of the reserve.
- 4.6 Appendix B details for each of the earmarked reserves that exist at the start of the 2021/22 financial year, the transfers during that year, year end balances,

as approved by the Commissioner and the future anticipated use over the MTFP.

- 4.7 Further details on transfers to and from earmarked reserves in 2022/23 are given below:

#### Sustainability Reserve

- 4.8 A new sustainability reserve has been created to provide £0.200m of earmarked funding, from some of the additional collection fund surplus monies to enable and facilitate the work on sustainability and environmental considerations to be progressed further and more quickly. Provision within the capital programme and revenue budgets allows for some investment in such items, particularly on the estate and within our fleet replacement programme, but this reserve is being earmarked, for pilot programmes and other works, to be identified and outlined in business case to facilitate a swifter response to these issues. Whilst value for money is always the underling requirement for all spending, it is acknowledged that sometimes adopting a 'greener approach' may carry the risk of additional costs, or require some initial investment, in order to deliver longer terms savings. It is felt prudent to create and use this earmarked reserve to manage the risk of higher 'green' costs and also as a resource for financing suitable green projects.

#### Safer Roads Reserve

- 4.9 A transfer from this reserve of £0.250m has been approved in the 2022/23 budget to meet the costs of the PCC's road safety grants. The reserve is ring-fenced and can only be utilised on addressing and improving road safety across Warwickshire.

#### Pay reserve

- 4.10 A new earmarked reserve has been created in 2022/23 acknowledgement of the risk surrounding the pay award for officers and staff, which may take effect from September 2022. Provision for a 3% increase in pay has been made within the 2022/23 budget, but given the uncertainty and high levels of inflation, and cost of living pressures, there is little intelligence to understand whether this will be adequate or not. The reserve is intended to manage any pay inflation costs above 3% in year, to avoid the need to find other alternative savings in year.
- 4.11 A number of other earmarked reserves are held but it is not envisaged that these will be utilised in 2022/23, although they are retained to manage risk, and meet such costs, should they arise in year. They include:

#### Budget and Transformation Reserve

- 4.12 The medium term financial plans of the Commissioner are under constant review and will change as new and reliable information becomes available, however, it is only formally updated once each year, at the same time as the

annual budget being approved. The financial strategy is to deliver a good and balanced budget that is sustainable, whereby expenditure can be met from within core funding, without a routine reliance on reserves to balance the budget. This has been achieved in 2022/23, through the delivery of some £0.201m of savings, and further savings will be required of approximately £3m over the MTFP. This reserve does however remain as it is acknowledged that there may be pressure on in year and future budgets for example supply chain issues, rising inflation and increases in the general cost of living which may all bring additional cost. The funding formula review is also underway by government, and it is not yet known what the implications of this may be on funding for Warwickshire. The retention of this reserve will however help to manage any adverse effects and provide time for any restructuring of the budget to take place. The uncertain international landscape may also provide increased risks, inflation may increase beyond levels previously envisaged, particularly in relation to energy costs as a result of the conflict in Ukraine, and supply chain challenges may continue for longer. This may result in higher costs than anticipated for some goods and services, and this reserve will help to manage this risk. The transition of ICT services is almost complete and further work under the Empower programme will now take place to drive out further efficiencies. This may require some initial investment and this reserve could be used in such circumstances, if approved by the Commissioner. It is therefore felt prudent to maintain this earmarked reserve to manage this risk.

- 4.13 The former collection fund and grant reserve will be transferred to the budget and transformation reserve. As part of the 2022/23 budget setting round, it was clear that council tax bases and collection fund surpluses had recovered better than anticipated by the billing authorities, and as such the retention of a separate earmarked reserve seemed to serve little purpose. 2023/24 will be the final year of the 2020/21 three year mandated deficit spread to minimise the impact on precepting authorities from collection fund losses, and if this deficit is not offset by further surpluses, it remains entirely correct that a draw down to match the deficit be made from this earmarked reserve. This would be in line with the original intention of the grant. However, it will now be included within the budget and transformation reserve, as any resulting impact will indeed be on the annual budget.

#### PCC Grants and Initiatives Reserve

- 4.14 This reserve has been funded from previous year underspends in the PCC's budget. It is intended to provide for future needs in this growing area of work. Current plans may include utilising part of this reserve to address issues following the Coronavirus pandemic and to better support victims of crime in Warwickshire.

#### Pensions & Redundancy Reserve

- 4.15 This reserve provides for any expenditure as a consequence of undertaking significant structural change, including pensions and redundancy costs which may be incurred. The retention of such a reserve constitutes sound financial

planning. The full impact of the Mcloud remedy on pensions is also unclear and this reserve also provides for this.

#### Income reserve

- 4.16 This reserve has been established to meet any shortfalls in income that may occur during the course of a year, due to a variety of factors, to mitigate risks on the in-year budget. Income budgets were reviewed as part of the 2021/22 budget and sustained shortfalls addressed, but the risk remains and therefore a reserve is maintained until the end of 2022/23.

#### Insurance and legal reserve

- 4.17 This earmarked reserve is held to mitigate against the risk of excessive insurance or legal costs in any specific year, which would have a detrimental impact on the in-year budget. These costs are often unforeseen, values cannot be anticipated with much certainty, but could be significant.

#### Vetting reserve

- 4.18 The vetting reserve has been set up to manage risk around the commercial contracting vetting service. Demand for these services continues to be high, and the Chief Constable is the national lead for vetting. However, recent cases, have arguably changed the risk profiles around this area of service, and this reserve will help to mitigate any risks which may arise, not just financially, but also reputationally or legally.

#### Covid-19 and Operational Reserve

- 4.19 The Commissioner approved the establishment of a Covid-19 reserve in May 2020 to address additional expenditure anticipated during the pandemic. The level and maintenance of this reserve will be kept under review as the pandemic and crisis evolves.

#### Capital Reserves and Balances

- 4.20 In addition to the revenue reserves capital reserves are also maintained. These are used to finance the capital programme. There is a reserve holding Capital Grants Unapplied. This holds the capital grants from the Home Office that have not yet been spent. These grants are applied to fund the capital programme and can be carried forward without penalty until required. The balance on the reserve as at 1<sup>st</sup> April 2021 was nil.
- 4.21 There is also a Capital Receipts Reserve. This holds receipts from the sale of police land and buildings which are no longer needed for operational policing as more efficient use is made of partners' and the policing estate. The annual budget includes the funding requirement and the receipts expected from asset sales over the MTFP. The balance on the reserve as at 1<sup>st</sup> April 2021 was nil.

- 4.22 In recent years there has been a move away from capital earmarked reserves, whilst the revenue position is stabilised through the transitional process. This process is drawing to a close, and as capital grants has been removed from 2022/23 onwards, there is an increasing need to identify a sustainable source of capital funding. It is recommended that serious consideration be given to establishing a capital/infrastructure reserve, if the 2021/22 outturn allows to establishing such a reserve to finance future investments. Some revenue contributions to capital are planned over the medium term, to reduce borrowing levels, and capital receipts are also forthcoming over the next twelve months which will also assist with critical capital financing, but the creation of a capital reserve to fund such works needs to now re-feature in the reserves strategy.

## **5. Procedure for use of reserves:**

- 5.1 The use of reserves requires approval of the Chief Finance Officer to the Commissioner and the Commissioner.
- 5.2 All requests to use reserves should be supported by recommendations in the Budget and MTFP Report or Money Matters report, which is scrutinised by the PCC and provides the information to enable future approval or otherwise of reserves via a decision notice by the PCC.
- 5.3 On occasion where an urgent request is being made this should be discussed as soon as possible between the Chief Constable's Chief Finance Officer and the Chief Finance Officer to the Commissioner.

## **6. Monitoring:**

- 6.1 The level of reserves is kept under continuous review. The Commissioner receives a regular financial report (Money Matters) containing recommended use of reserves and levels of reserves together with an annual review of the reserves strategy in January/February as part of the budget setting process and the out-turn position in the summer of each year.
- 6.2 The current level of forecast reserves is relatively healthy, with transfers to reserves taking place in both 2021/22 and also anticipated in 2022/23. This is due to good and prudent financial planning to manage anticipated risk and known costs. Further savings are required to balance future year budgets as per the MTFP and plans are underway to identify options for addressing these. The position will continue to be monitored in year to ensure that reserves are retained at appropriate levels, being neither excessive or too low to manage risk.

## **7. Risk Analysis:**

- 7.1 Any recommendations that change the planned use of reserves reported within the Annual Budget and precept setting report, will take account of the need for

operational policing balanced against the need to retain prudent levels of reserves.

7.2 The significant risks that have been considered, but which will also be kept under review are:

- Not being able to deliver or achieve efficiencies and savings during the year, as included within the budget report.
- The ability to seek financial assistance from the Home Office for major incidents in the form of special grant has been diminished and should no longer be relied upon, so general reserves need to be able to provide for such events at a risk assessed and prudent level.
- That income levels may not be achieved or over reliance on some specific income streams creates an over exposure to risk.
- The need to finance organisational change
- The current financial climate is increasingly uncertain, funding may be impacted following the pandemic, the funding formula review and the international conflict in Ukraine crisis so the reserve provision may be required to mitigate any impact on finances further. Inflation and supply chain issues will all have an impact on police budgets. Prudent provision has been made in year, backed by reserves, particularly pay inflation. However, the effects of these may be increased and more prolonged than originally envisaged due to more recent events in Ukraine.
- The current uncertainty of the financial markets means that investments may be exposed to greater risk. This is negated by the Treasury Management Strategy, which prioritises security above returns on investment under the current financial climate have reduced significantly.
- Should the Commissioner and Force be faced with several of the above issues at the same time there would be a more significant and pronounced effect on reserves and their potential use.
- Once utilised reserves have limited scope for replenishment. This is usually achieved through a budget underspend, or increased income and will be reviewed as part of the work at the end of a financial year.
- There may be exceptional levels of costs where the level of earmarked reserves held appear insufficient and may need reassessing.
- Changes in government guidance or policy regarding the levels of reserves held by PCC's.

## **8. Compliance with Home Office Guidance:**

8.1 On 31<sup>st</sup> March 2018 the Minister for Policing and the Fire Service published new guidance and the information that each PCC must publish in terms of police reserves. One of the key requirements is that the information on each reserve should make clear how much of the funding falls into each of the following three categories:

- Funding for planned expenditure on projects and programmes over the period of the current Medium Term Financial Plan

- Funding for specific projects and programmes beyond the current planning period
- As a general contingency to meet other expenditure needs held in accordance with sound principles of good financial management

8.2 This information is provided in Appendix C.

## **9. Conclusion:**

- 9.1 There has been a comprehensive review of all reserves held by the Police and Crime Commissioner in preparing this 2022/23 reserves strategy. This report sets out clearly and transparently the reserves held, the purpose for which they are held, the plans for their use and the risks and assumptions underpinning them. This strategy will be reviewed annually and the PCC's approval sought. During the year changes may however occur in the MTFP, which affect this strategy. Such changes will be monitored by the Chief Finance Officer and reported to the Commissioner for approval.
- 9.2 Based on current planning assumptions, the level of general reserves in Warwickshire should stay above the recommended minimum level through to 2026/27, although it is suggested that the level of general reserve be reconsidered and potentially increased, based on increasing net revenue expenditure levels from 2023/24 onwards. Adequate provision has been made in earmarked reserves to fund expected one-off pressures and to manage known risks. The reserves strategy acknowledges the need to identify a sustainable source of capital funding. It is recommended that consideration be given to establishing a capital/infrastructure reserve, if the 2021/22 outturn is more favourable, and that this is an area that will increasing need to feature in the future to replace borrowing, the loss of capital grant and the one-off nature of capital receipts funding being used in the short to medium term.
- 9.3 The reserve levels are reliant on the assumptions made across the MTFP, however the current economic outlook is uncertain and it is therefore important that reserves levels are held at adequate levels to mitigate these risks. The financial strategy of a good and balanced budget remains, in line with the police and crime plan priorities and there will be no scope to run down reserves to meet routine ongoing costs, and therefore careful budget monitoring and tight budgetary control are necessary throughout 2022/23 and the MTFP to identify any issues as they arise and enable timely decisions to be made to address the financial implications, which will have to come primarily from within existing budgets.

## **Appendix A - Adequacy of Reserves statement extract from the 2022/23 Budget report**

When setting the budget and capital programme for the forthcoming year the PCC must be satisfied that adequate consideration has been given to the following:

- Government policy on police spending, as applied to the PCC
- The CIPFA prudential code and the treasury management code
- The impact on the council tax, and the risk of exceeding the limit for triggering a referendum
- Whether the proposals represent a balanced budget for the year
- The robustness of estimates and the size and adequacy of general and specific earmarked reserves
- The CIPFA financial management code of practice and guidance on the level of reserves
- The medium term implications of the budget and capital programme.

Section 25 of the Local Government Act 2003 requires the Commissioner's Treasurer to provide the Commissioner with assurance on the robustness of estimates made for the purposes of the budget calculations and the adequacy of reserves.

The Director of Finance for Warwickshire Police has provided assurance that the main assumptions and estimates used for compiling the budget, are set out within this report, are robust and that the figures in the 2022/23 budget have been based, in his opinion and to the best of his knowledge on sound assumptions. He has also provided assurance that this budget is consistent with the financial strategy (good and balanced budget), provides links to the priorities outlined within the Police and Crime Plan which is underpinned by the Chief Constables Fit for the Future strategy and does not impact adversely on the financial stability of the force in the medium term.

A level of uncertainty does exist, in particular around the review of the funding formula for policing. The outcomes, timing and implementation of any changes is unknown, but it is understood that work is progressing at pace, with some initial outputs expected by early summer 2022 and a broad commitment by government that this will be completed this parliament. Further details will be made available in time as the work progresses, and networking with colleagues at a local, regional and national level will help to improve our levels of understanding. Until then, reserves must continue to be held to manage any changes that may materialise in an adverse way, although the scale of any potential change is unknown, to enable a smooth transition and to minimise the impact on services. There are however opportunities to improve financial planning through the three year spending review announcements and these have been included within the medium term financial plan. The extent of future austerity and the state of the economy, following the end of the pandemic as we learn to live

with the virus, is of course not entirely known. However, given the period under consideration, the figures contained in the MTFP represent a reasonable and prudent estimate of the likely position and are a sound basis for planning purposes.

The Treasurer for the PCC can provide assurance on the budget and MTFP in that it has been produced in line with the latest government policy, CSR 2021, the provisional settlement (which will be updated when the final settlement is announced), and is also compliant with the latest CIPFA Treasury Management Code and the Prudential Code.

The Localism Act provides communities with the power to veto through a referendum, council tax increases considered by the government to be excessive. The level set by government for 2022/23 is £10 on a band D property. This report and budget is based on a precept increase of £9.75. The budget proposed is balanced and assurance has been sought from the Director of Finance within the force on the robustness of estimates contained within it. These have been scrutinised and challenged by the Treasurer and have been found to be sufficiently robust. This work has also revealed that the MTFP presents a prudent estimate of the future financial pressures that the Commissioner will face.

The budget, MTFP and underlying assumptions will continue to be monitored carefully, along with any national developments, to ensure the Commissioner and Chief Constable are sighted on any emerging risks. Any changes in the final settlement and arising from the confirmation of tax bases and collection fund surpluses or deficits will be incorporated prior to the final budget being approved.

The Director of Finance will be undertaking careful monitoring of the budget during the course of 2022/23 in conjunction with budget holders to manage spending and any consequential impact on reserves. The forecast outturn for 2021/22 looks to be on budget with no adverse changes anticipated at this stage.

In giving assurance on the adequacy of reserves the Treasurer has reviewed levels and compliance as outlined in the latest CIPFA guidance on the establishment and maintenance of Local Authority reserves and balances, which also applies to PCC's. This guidance sets out the factors that should be taken into account locally in making an assessment on the appropriate level of reserves and balances to be held.

The Commissioners reserves are categorised as - General Reserves, Earmarked Reserves and Capital Reserves. These will, in part, be governed by known or likely commitments, and, in part, by his appetite for risk. This should include the strategic, operational and financial risk facing the force, and also include the potential impact of external and internal risks. The Treasurer has thoroughly reviewed the risks facing policing in Warwickshire and reassessed the level of reserves required. In doing so, the Treasurer has complied with the CIPFA guidance with the intention being to ensure clear, transparent reporting around reserve levels in Warwickshire.

The following narrative provides some further detail on the approach, evidence and assurance regarding the adequacy of reserves.

#### Compliance with the 7 key principles in CIPFA's guidance

| Budget assumptions                                    | Current situation in Warwickshire   |
|---|---|
| The treatment of inflation and interest rates         | <p>Warwickshire Police (WP) makes full and appropriate provision for pay and price rises, based on up-to date information and recognising the change in the workforce profile, increments, recruitment and turnover relevant to managing a police establishment.</p> <p>Pay inflation represents a more significant risk in the 2022/23 budget planning process, than in any other recent year. Networking with other forces and local authorities has resulted in a range of increases being proposed. Warwickshire have included a pay award for officers and staff of 3% in 2022/23, which falls in the middle of this range, and is therefore deemed prudent. The actual pay award increase will not be known for some time. If no other in year funding is available through underspending or increased income, the new pay earmarked reserve will be used to manage the risk on the pay award assumption.</p> <p>Non-pay inflation has been included where it is contractually required, or on the best estimate of inflationary increases, based on current spending levels.</p> <p>An informed assessment is made of interest rate movements.</p> <p>All individual expenditure and income budgets are prepared based on the forecast outturn and known or estimated changes.</p> |
| Estimates of the level and timing of capital receipts | <p>The PCC and WP make a prudent assumption on the level and timing of any future capital receipts. The timing of the capital receipts in respect of the sale of excess land at Leek Wootton are known and have been built into the financing of the capital programme. A combination of funding from capital receipts and borrowing, along with minor other sources, is included within the capital plans.</p>   |
| The treatment of demand level pressures               | <p>The Force is required to operate and manage within its annual budget allocation.</p>   |

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|  | <p>The Chief Constable retains a modest operational contingency within the budget to help finance more minor unexpected operations or events that require a policing response. The former covid reserve will also help to provide further operational risk cover, under its new name of Covid and operational contingency. As a small standalone force operational risks can carry a more significant effect on financial resources.</p> <p>The force has already identified significant savings that were removed from the budget on the 1<sup>st</sup> April 2021, along with some minor savings in April 2022. The draft budget represents a balanced position, although the MTFP indicates that more significant savings are required over the next three years. These equate to approximately £1m per annum for each year from 2023/24 to 2025/26.</p> <p>Any significant pressures from changes in demand would need to be addressed initially from other savings within the in-year budget, and the budget or general reserve would only be used in the more serious situations.</p> <p>Government grants are generally announced annually in advance and are cash limited. Any new policing pressures arising during the year will have to be funded from within the budget which will ultimately require other savings or efficiencies to be found.</p> <p>The PCC holds a number of earmarked revenue reserves to help finance specific expenditure commitments. Appropriations are made to and from these reserves on an annual basis as approved by the PCC and in line with the purpose of the reserve.</p> <p>Finally general reserves will only be used as a last resort to manage and fund demand-led pressures.</p> |
| The treatment of planned efficiency savings and productivity gains | <p>£4m of savings were identified as part of the budget setting process for 2021/22, and further efficiency savings in 2021/22 were also identified and delivered. The forecast outturn for 2021/22 is on track with an increased contribution to reserves projected. The Commissioner has set his new Police and Crime Plan priorities, which are underpinned by the Chief Constables Fit For the Future strategy. The 2022/23 budget will deliver a number of anticipated benefits which will drive more efficient working and increased productivity, particularly</p>  |

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|  | <p>through the introduction and development of power applications following the recent investments in modern, robust and compliant ICT. Further savings are required over the MTFP, averaging approximately £1m per annum from 2023/24 to 2025/26 inclusive. Early planning for these through the operational review (Empower) overseen by Chief Officers and the business transformation team will identify options for addressing this, should they be required as further information is known to test the assumptions and the medium term position becomes clearer through the monitoring and annual budget setting processes.</p>  |
| <p>The financial risks inherent in any significant new funding partnerships, collaboration, major outsourcing arrangements or major capital developments</p> | <p>The financial consequences of partnership, collaboration working, outsourcing arrangements or capital investment are reported to the PCC as part of the regular monitoring and budget review process. Where relevant any additional costs have been incorporated in the annual revenue budget. These are reviewed regularly during the year in the budget monitoring reports report and where necessary the MTFP is amended.</p> <p>Warwickshire have established new partnership working arrangements with West Midlands police for forensics services which is operating well and will continue to be monitored closely. All the anticipated costs are included within the budget and MTFP.</p> <p>Some historical storage facilities will remain with West Mercia in the medium term at relatively minor cost, which has been provided for in the budget and MTFP. Whilst the ICT services have not fully transitioned away from the hosted West Mercia service, assurances around this and the costs have been received from the Chief Constable and at the time of writing, no significant additional transitional cost is anticipated. The embedding of ICT services and systems does remain a risk financially and operationally and any costs, in the absence of increased income or underspending in year will be met from the budget/transformation reserve, subject to approval by the Commissioner.</p> <p>There is a risk that local authority partners will withdraw funding from projects due to increasing pressure and demands on their own budgets. This may also manifest as requests for increased contributions from policing, putting additional pressure on police budgets. Any such instances of</p> |

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|  | <p>this need to be managed through the strong working relationships that we have with partners.</p> <p>The continued viability of private sector commercial partners will be exposed to increased risks in the event of an economic recession or other challenges, for example around meeting demand/staffing as we emerge from the pandemic or around supply chain pressures.</p>   |
| The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions. | <p>The PCC has retained a number of earmarked revenue reserves to meet specific expenditure items. These are included within this report.</p> <p>The access criteria for special grants state that PCCs may be required to fund up to 1% of their net budget requirement themselves before the Government considers grant aid. This applies on an annual basis. However, the grant criteria have been tightened and the likelihood of special grant funding has therefore reduced, This risk will always be provided for within the general reserve.</p> <p>Reserve levels have remained resilient, throughout the pandemic, and while the force has implemented a huge ICT transformation programme, and stood up services in Warwickshire following the exit from the former alliance. This process is nearing completion, and the next phase of driving out more efficient working will begin. HS2 policing of the construction site is anticipated to be an ongoing drain on resources over the medium to longer term as its construction continues and this will be monitored, and any other funding opportunities considered if they become available.</p> |
| The general financial climate to which the PCC is subject.   | <p>The finance settlement for 2022/23 was generally positive. Government support for the recruitment of the final tranche of 8,000 additional officers has been confirmed, which equates to 55 additional officers in Warwickshire. The settlement also provides for precept flexibility on a band D property of up to £10 in 2022/23. However, crime and the challenges facing policing as well as policing itself continues to evolve at pace, and there remains some uncertainty regarding the review of the police funding formula, and the impact this may have on Warwickshire, in addition to the timing of its implementation. However, the medium term financial plan over a 5 year period reflects our best estimate of future inflation rates, cost pressures, increases in</p>   |

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|  | <p>government grants and revenues raised from Council Tax as they impact on the Force, and the consequences of the funding formula review risk will continue to be monitored as more information becomes available in time.</p> <p>General inflation in the U.K. has increased recently above 5%, and energy costs have increased considerably and are estimated to increase still further. This is putting pressure on personal finances, pay budgets to keep up with inflationary increases, but also concerns around the affordability of increases in the precept, but the issues around each of these are being monitored through engagements and communication with the public and key stakeholders.</p> <p>The economic impact of the global pandemic may not yet be fully known, although it is becoming increasingly evident that this is a long term issue and living with the virus and managing the impacts of it is likely to become the new norm.</p> |
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## General Reserve

In recent years, the Treasurer has undertaken a review of the significant risks and pressures facing the Police and Crime Commissioner before setting a minimum level of reserves held in a General Reserve. In addition, the Treasurer has undertaken a comprehensive review of all reserves held. This has been undertaken again this year in light of the current circumstances in which the force is operating.

The key risks the Police and Crime Commissioner faces (and for which no specific provision in Earmarked Reserves is made) are:

The possibility of savings targets not being met. In 2021/22, a specific allocation for this within earmarked reserves was removed as significant savings were delivered prior to the start of the year. The 2022/23 draft budget is indicating a balanced position, and although savings are outlined across the MTFP, early planning through the operational review should be able to accommodate such savings if they are required as more financial information is available prior to 2023/24.

Provision for possible delays in the delivery of savings was set at £0.500m in 2021/22. It is recommended as part of the risk assessment, that provision for delayed savings is removed as there is ample time for planning for savings identified from 2023/24 onwards in the MTFP, and a strategy for dealing with this is in hand. Budgets are now better understood as we emerge from the former alliance, and the forecast outturn in 2021/22 is on track and an underspend or increased contribution to reserves is anticipated.

The risks surrounding the funding formula review which has been commenced by Government, does require some set aside within the general reserve. The timing and implementation of any outcomes is still slightly uncertain, although work is progressing at pace, and some early indications and communication are anticipated by early summer 2022. Little information is known, although the Government have indicated a commitment to implement changes during this parliament. Whether this comes to fruition will be the subject of further work over coming months. The Home Office did consult on a new formula during 2015 but later abandoned the consultation. At the time estimates of the impact on Warwickshire ranged from a decrease of approximately £2m to an increase of over £2m in funding, so the range was very broad. In order to mitigate any risks around this it is recommended that £1.000m of the general reserve be identified to deal with this risk, if the outcome is that Warwickshire's share of funding will be decreased. This will help to manage the transitional process, as any changes are implemented.

Any unforeseen costs in establishing and embedding the ICT and transactional service arrangements in Warwickshire. It is acknowledged that ICT represents the single most complex and costly area of transition, and although the majority of transition and transformation work should be completed by April 2022, this remains at risk until all services are delivered in Warwickshire and outside of the hosted services by West Mercia. The Commissioner and Chief Officer teams continue to be updated regularly, on the ICT transition and the related governance arrangements with West Mercia, which are also overseen by an independent intermediary with links to the Home Office. There is growing certainty regarding the transition, but this remains at risk, the next few weeks and months are critical and it therefore feels prudent to allocate £0.500m within the General Reserve to manage this risk.

To provide cover for "extraordinary" events or investigations, recognising that these would be likely to attract Special Police Grant (for costs in excess of 1% of the budget). HS2 policing is likely to escalate and in the absence of any additional funding, cover in general reserves is prudent. Likewise the pandemic has demonstrated that 'extraordinary' events can be resource intensive and lead to significant additional cost. However, it has also been evident that in such circumstance additional government funding is likely to be made available to manage the financial pressures that such events create, although there is often a time lag between costs being incurred and assistance being confirmed. Nonetheless a prudent provision for such events might be a provision of approximately £2.0m, roughly 1.5% of the annual core funding level.

The risk of increased inflation. The Medium Term Financial Plan includes prudent assumptions regarding the estimated increases in budgets for pay and other inflation. Whilst an earmarked reserve has been set up to manage any variation in the pay assumption due to the specific uncertainty in this area of spend this year, an allocation of £0.500m is suggested within the general reserve is suggested to cover any increase in non-pay inflation and supply chain costs.

The risks associated with future austerity over and above any funding formula review changes that may impact Warwickshire. Whilst the impact and severity of any future austerity measures is unknown, this remains a risk despite the improved economic forecasts in the CSR announcement. The three year spending review has outlined the increases in national police funding over the next two years which gives increased certainty in the medium term, but what is not clear is how this funding will translate at a local level. Despite this, it is suggested that no specific provision be allocated to this currently, on the basis that actions would need to be taken to mitigate any significant reductions, and that the earmarked budget reserve, and provision within the general reserve for the funding formula should be adequate to manage the potential risk regarding reductions in core funding should they occur while actions are introduced to reduce costs as part of a planned approach.

The risks associated with future council tax funding. Council tax funding appears to be very resilient despite the pandemic, it is less clear if this will be sustained as pressure increases on the cost of living, particularly if pay increases do not keep pace. However, prudent estimates of council tax funding are included in the MTFP, and on this basis it is not suggested that additional allocations are identified within general reserves to cover this risk, as they would need to be dealt with as part of the annual budget setting process.

The risks associated with our commercial vetting service are managed through the vetting earmarked reserve and also through the budget reserve if necessary. The service is currently performing well and demand is high, but reputation, legal and financial risks remain. The Warwickshire service is accredited and the Chief Constable is the national lead for vetting and will therefore remain abreast of risk and any future changes or developments in this area of service. Therefore, no specific additional allocation of the general reserve to manage this risk is recommended at this stage.

There is still a lack of complete clarity around government plans on the timing and costs for the replacement of the Airwaves network (referred to as ESN). However, prudent levels of funding, including grant have been made in the Medium Term Capital Programme, and any significant additional capital costs that may occur in the short term would have to be met from reviewing the capital programme. Any increased revenue costs or grant reductions in the short term would need to be funded from further efficiencies or the budget reserve. It is suggested that no provision within general reserves therefore be made currently.

There should be a general contingency provision for unknowns. Assessing a prudent level for this is impossible, but would be unlikely to be less than 1% of net revenue expenditure, which equates to around £1m.

The total cost of the provision required from within the general reserve, where it is possible to make any informed assessment is £5m. This is equivalent to approximately

4% of the net revenue budget. However, it should be noted that the effect of any single event could impact significantly, and the recommendation is that serious consideration be given to increasing the general reserve to £6m in 2023/24 to keep pace with the anticipated increases in the net budget, and to retain coverage of between 4% and 5% in general reserve provision. The Commissioner does not necessarily have to provide money in reserves for each of these risk elements individually, unless they are certain to occur, as one contingency can provide for several possible events, provided that all of the events are considered to be unlikely to occur together. However, he does need to give realistic consideration to the likelihood of them occurring during the period covered by the plan.

Given all of these assessments, it is recommended that a minimum level of £5.0m is provided in general reserves. However, this will be kept under constant review over the next 12 months, with an anticipation that this may need to be increased from 2023/24 onwards as net revenue expenditure increases.

Provided that this sum is available at all times within reserves, I am satisfied that the level of reserves held is adequate based on known information and risk.

#### Earmarked Reserves

The predicted balance at 31 March 2023 for each earmarked revenue reserve is shown in the table below.

Table 12

| Earmarked Reserve       | Balance at 1st April 2022 £m | Transfers (net) £m | Movement In Year £m | Forecast Balance at 31 <sup>st</sup> March 2023 £m | Purpose of Reserve   |
|-------------------------|------------------------------|--------------------|---------------------|--|--|
| Budget & Transformation | 4.705                        | (0.161)            | 0.000               | 4.544  | To support one off costs that may emerge in the revenue budget and to finance any additional transformation work to provide and embed services on the new Warwickshire infrastructure and systems. |

|                            |       |         |         |       |  |
|----------------------------|-------|---------|---------|-------|--|
| Vetting                    | 0.573 | 0.000   | 0.000   | 0.573 | To manage any reputational, legal or financial risk around the commercial vetting service                  |
| Sustainability             | 0.000 | 0.200   | 0.000   | 0.200 | To provide a fund for the force to bid against for sustainability projects                                 |
| Safer Roads Partnership    | 1.194 | 0.000   | (0.250) | 0.944 | Ring-fenced funds held to finance road safety initiatives.   |
| Pension & Redundancy       | 0.667 | 0.000   | 0.000   | 0.667 | To fund any increased pension costs or change costs arising from transformation or the operational review. |
| Insurance and Legal Claims | 0.500 | 0.000   | 0.000   | 0.500 | Reserve to manage risks around potentially increased costs   |
| PCC Grants and Initiatives | 0.300 | 0.000   | 0.000   | 0.300 | To fund one-off schemes and initiatives with partners or to manage increased commissioned service costs    |
| Collection Fund            | 0.339 | (0.339) | 0.000   | 0.000 | To manage collection fund risk, but transferred to the budget and transformation reserve                   |

|                                   |              |              |                |              |   |
|-----------------------------------|--------------|--------------|----------------|--------------|---|
| Income                            | 0.250        | 0.000        | 0.000          | 0.250        | To manage fluctuations and pressures on non-vetting income  |
| Covid and operational contingency | 0.500        | 0.000        | 0.000          | 0.500        | To deal with any remaining pandemic risk and to provide operational policing contingency          |
| Pay                               | 0.000        | 0.500        | 0.000          | 0.500        | To address any variation in the pay award above that assumed as part of the 2022/23 draft budget. |
| <b>Total Earmarked Reserves</b>   | <b>9.028</b> | <b>0.200</b> | <b>(0.250)</b> | <b>8.978</b> |   |

### Capital Reserves and Balances

In addition to the revenue reserves, capital reserves are also maintained. These are used to finance the capital programme.

Capital Grants Unapplied are set aside on the balance sheet. This holds the capital grants from the Home Office that have not yet been spent. These grants are applied to fund the capital programme and can be carried forward without penalty until required. The balance on the reserve as at 1<sup>st</sup> April 2021 was £0.0m.

There is a Capital Receipts Reserve. This holds receipts from the sale of police land and buildings which are no longer needed for operational policing as more efficient use is made of partners' and the policing estate. The funding table in section 9 above outlines the receipts expected from asset sales from 2022/23 to 2026/27. The balance on the reserve as at 1<sup>st</sup> April 2021 was £0.0m.

## **Appendix B – updated earmarked reserves balances, usage and transfers over the Medium Term Financial Plan (as per the 2022/23 budget report.**

In considering the 2022/23 budget, the Commissioner has reviewed all of the reserves that he holds.

Allowing for all of the known costs the movement of reserves is summarised below over the MTFP period:

|   |                 |
|---|-----------------|
| <b>Estimated reserve levels on the 1<sup>st</sup> April 2022</b>                      | <b>£14.028m</b> |
| Transfer to a new sustainability reserve  | £0.200m         |
| Transfers from Safer Roads Reserve  | (£0.700m)       |
| <b>Anticipated reserve levels at the end of the MTFP (31<sup>st</sup> March 2027)</b> | <b>£13.528m</b> |

There are a number of more general risks, some of which are largely outside the control of the force for which earmarked reserves have either been specifically created or they will be covered by either the budget or general reserve, including:

- Known Operations or any unforeseen major or unpredictable policing operations, which may be one-off in nature
- Pay, inflation and supply chain issues
- Pensions
- Legal
- Non-vetting service income fluctuations
- The commercial national contractor vetting service
- The national review of the police funding formula
- Digital technology changes in national police systems
- Introduction of the Emergency Services network (ESN)
- Estates strategy

Any other exceptional one-off issues, would need to be managed within the general reserve. It is recognised that this may be over and above any special grant application to the Home Office, however the reserve levels are set in recognition of the tightened criteria for such applications. The table below shows the reserve balances anticipated at the end of each year of the MTFP:

Table 11

|                                 | Closing<br>balance<br>2020/21 | 2021/22<br>reserve<br>transfers | Forecast<br>closing<br>balance<br>2021/22 | Forecast<br>closing<br>balance<br>2022/23 | Forecast<br>closing<br>balance<br>2023/24 | Forecast<br>closing<br>balance<br>2024/25 | Forecast<br>closing<br>balance<br>2025/26 | Forecast<br>closing<br>balance<br>2026/27 |
|---------------------------------|-------------------------------|---------------------------------|---|---|---|---|---|---|
| <b>General Reserve</b>          | <b>5.000</b>                  | <b>0.000</b>                    | <b>5.000</b>                              | <b>5.000</b>                              | <b>5.000</b>                              | <b>5.000</b>                              | <b>5.000</b>                              | <b>5.000</b>                              |
| <b>Earmarked reserves:</b>      |                               |                                 |   |   |   |   |   |   |
| Budget & Transformation         | 3.067                         | 1.638                           | 4.705                                     | 4.544                                     | 4.544                                     | 4.544                                     | 4.544                                     | 4.544                                     |
| Transformation                  | 1.378                         | (1.378)                         | 0.000                                     | 0.000                                     | 0.000                                     | 0.000                                     | 0.000                                     | 0.000                                     |
| Pay                             | 0.000                         | 0.000                           | 0.000                                     | 0.500                                     | 0.500                                     | 0.500                                     | 0.500                                     | 0.500                                     |
| PCC initiatives                 | 0.300                         | 0.000                           | 0.300                                     | 0.300                                     | 0.300                                     | 0.300                                     | 0.300                                     | 0.300                                     |
| Pensions & redundancy           | 0.500                         | 0.167                           | 0.667                                     | 0.667                                     | 0.667                                     | 0.667                                     | 0.667                                     | 0.667                                     |
| Insurance & legal               | 0.253                         | 0.247                           | 0.500                                     | 0.500                                     | 0.500                                     | 0.500                                     | 0.500                                     | 0.500                                     |
| Sustainability                  | 0.000                         | 0.000                           | 0.000                                     | 0.200                                     | 0.200                                     | 0.200                                     | 0.200                                     | 0.200                                     |
| Income                          | 0.000                         | 0.250                           | 0.250                                     | 0.250                                     | 0.250                                     | 0.250                                     | 0.250                                     | 0.250                                     |
| Covid & operational contingency | 0.386                         | 0.114                           | 0.500                                     | 0.500                                     | 0.500                                     | 0.500                                     | 0.500                                     | 0.500                                     |
| Collection fund                 | 0.000                         | 0.339                           | 0.339                                     | 0.000                                     | 0.000                                     | 0.000                                     | 0.000                                     | 0.000                                     |
| Vetting reserve                 | 0.573                         | 0.000                           | 0.573                                     | 0.573                                     | 0.573                                     | 0.573                                     | 0.573                                     | 0.573                                     |
| Safer Roads                     | 1.231                         | (0.037)                         | 1.194                                     | 0.944                                     | 0.794                                     | 0.694                                     | 0.594                                     | 0.494                                     |
| <b>Total earmarked reserves</b> | <b>7.688</b>                  | <b>1.340</b>                    | <b>9.028</b>                              | <b>8.978</b>                              | <b>8.828</b>                              | <b>8.728</b>                              | <b>8.628</b>                              | <b>8.528</b>                              |
| <b>Total available reserves</b> | <b>12.688</b>                 | <b>1.340</b>                    | <b>14.028</b>                             | <b>13.978</b>                             | <b>13.828</b>                             | <b>13.728</b>                             | <b>13.628</b>                             | <b>13.528</b>                             |

## Appendix C - Analysis of revenue and capital reserves as at 31<sup>st</sup> March 2022

|   | Actual<br>Balance<br>31.3.22<br>£m | Planned<br>contributions<br>and<br>expenditure<br>on projects &<br>programmes<br>over next 5<br>years £m | Funding for<br>specific<br>projects and<br>programmes<br>beyond 26/27<br>£m | As a general<br>contingency<br>or resource to<br>meet other<br>expenditure<br>needs<br>£m |
|---|------------------------------------|--|---|---|
| <b>GENERAL<br/>REVENUE<br/>RESERVE</b>    | <b>5.000</b>                       | <b>0.000</b>   | <b>0.000</b>  | <b>5.000</b>  |
|   |                                    |  |   |   |
| <b>EARMARKED<br/>REVENUE<br/>RESERVES</b> |                                    |  |   |   |
| Budget & Transformation Reserve           | 4.705                              | 0.000  | 4.705   | 0.000   |
| Collection Fund reserve                   | 0.339                              | 0.000  | 0.339   | 0.000   |
| Pay Reserve                               | 0.000                              | 0.000  | 0.000   | 0.000   |
| Sustainability Reserve                    | 0.000                              | 0.000  | 0.000   | 0.000   |
| Safer Roads Partnership Reserve           | 1.194                              | 0.700  | 0.494   | 0.000   |
| Pensions & Redundancy Reserve             | 0.667                              | 0.000  | 0.667   | 0.000   |
| Insurance and Legal Claims Reserve        | 0.500                              | 0.000  | 0.500   | 0.000   |
| PCC Grants and Initiatives                | 0.300                              | 0.000  | 0.300   | 0.000   |
| Vetting Reserve                           | 0.573                              | 0.000  | 0.573   | 0.000   |
| Income Reserve                            | 0.250                              | 0.000  | 0.250   | 0.000   |
| Covid-19 and operational Reserve          | 0.500                              | 0.000  | 0.500   | 0.000   |
| <b>Total Earmarked Revenue Reserves</b>   | <b>14.028</b>                      | <b>0.700</b>   | <b>8.328</b>  | <b>5.000</b>  |
|   |                                    |  |   |   |
| <b>TOTAL REVENUE RESERVES</b>             |                                    |  |   |   |
|   |                                    |  |   |   |
| <b>CAPITAL RESERVES</b>                   |                                    |  |   |   |
| Capital Grants Unapplied                  | 0.000                              | 0.000  | 0.000   | 0.000   |
| Capital Receipts                          | 0.000                              | 0.000  | 0.000   | 0.000   |

|                           |                |               |              |              |              |
|---------------------------|----------------|---------------|--------------|--------------|--------------|
| <b>Total<br/>Reserves</b> | <b>Capital</b> | <b>0.000</b>  | <b>0.000</b> | <b>0.000</b> | <b>0.000</b> |
|                           |                |               |              |              |              |
| <b>TOTAL<br/>RESERVES</b> | <b>CASH</b>    | <b>14.028</b> | <b>0.700</b> | <b>8.328</b> | <b>5.000</b> |