



Office of the
Police and Crime
Commissioner
for Warwickshire

PCC Reserves Strategy 2023/24

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1. Introduction

The requirement for financial 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.

This document 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 their 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.

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.

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.

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.

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

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responsibility of auditors to prescribe the optimum or minimum level of reserves for individual PCC's.

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 2027/28 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, in line with updated information and proposed central funding levels.

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 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. This guidance is followed by the Treasurer in assessing the adequacy of reserves, and is documented within the annual budget report. The guidance should enable well-managed organisations, 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, it is imperative that an assessment be made not only on whether reserves are adequate, but that they are also necessary. Previously the Home Office has 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 body does not act prudently, disregards the advice of its Chief Finance Officer and is heading for serious financial difficulty.

2. The PCC's approach to reserves

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. Further details on this can be found in the annual budget report and as approved by the Commissioner in February 2023, and this should be read in conjunction with this strategy.

In summary, the Commissioner holds reserves to:

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- To meet the costs of significant, unplanned 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 meet forthcoming revenue and capital 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 transform and operate effectively.
- To support one-off PCC work and initiatives.
- A reasonable amount to meet peaks, troughs and risks in revenue expenditure on certain risk assessed 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

3. Implications of the policy

The current financial climate has grown increasingly uncertain, with inflation at some of the highest rates for the last forty years, energy costs have escalated, numerous strikes following higher pay demands have occurred, supply chain issues for various goods are common place and consistent increases in interest rates by the Bank of England have been implemented to temper inflation.

At a local level, pay and non-pay inflationary costs represent some of the most significant financial challenges for the force in the immediate future. The force have been successful in recruiting their share of the 20,000 officers by the 31st March 2023 date, and this sees officer numbers in Warwickshire rising to the highest levels ever. However, the ongoing costs of sustaining these officers will be a financial challenge in the medium term.

The Medium Term Financial Plan has indicated that around £3m of savings are required and the plan for achieving efficiency savings is through investments in technology to increase productivity and improve efficiency. It is essential that these savings are identified to ensure future sustainability. Reserves will underwrite this risk, but work to identify savings, should they be required must be prioritised.

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

It has been established that General Reserves will be maintained at a level of £6million for 2023/24. This represents approximately 4.6% of net revenue expenditure. The general reserve was increased to £6.000m in 2022/23 to reflect the increasing net revenue expenditure and also based on the risk assessment. 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 two fold:

- to provide for any unexpected, significant operations (demand) arising from a serious incident, investigation or prolonged disruption in lieu of special grant
- to provide for commercial risks surrounding the national contractor vetting service.

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.

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.

Appendix A is an extract from the budget report for 2023/24 and outlines the adequacy of reserves statement and risk analysis undertaken by the Treasurer.

Earmarked Reserves

Unlike general reserves earmarked reserves have been identified for specific events and managing assessed risks. Usually, there is uncertainty regarding anticipated costs, and/or timelines. It is therefore prudent for the Commissioner to identify such areas of expenditure and set aside amounts that would 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. Expenditure relating to earmarked reserves has to specifically relate to the purpose of the reserve.

Appendix B details for each of the earmarked reserves that exist at the start of the 2022/23 financial year, the transfers during that year, year end balances, as approved by the Commissioner and the future anticipated use of reserves over the MTFP.

Further details on the purpose of specific earmarked reserves are given below:

Budget and Transformation Reserve

The medium term financial plans (MTFP) of the Commissioner are under constant review, however, the MTFP is only formally updated and approved once each year, in line with the annual budget process. The Commissioners financial strategy is to deliver a good and balanced budget that is sustainable in the medium to longer term. This effectively means that expenditure must be met from within core funding, without a routine reliance on reserves to balance the budget.

However, it is acknowledged that a longer term strategic approach to funding also needs to be adopted, which recognises, that short -term shortfalls may occur, that it is acceptable and prudent to be bridged by reserves to avoid detrimental decisions being taken on an annual basis, only to be reversed in future years. Therefore the budget and transformation reserve will:

- Provide a glide path over the MTFP to deliver £3.0m of savings
- Provide support to finance capital expenditure for investment in ICT/digital services, where required
- Provide support for any potential loss of Government funding e.g. Police Uplift Programme ringfenced grant
- Provide support/coverage for any negative impact of the funding formula review

Infrastructure Reserve

This reserve is aimed at providing finance to fund capital expenditure for investment, primarily in short term assets thereby reducing the need to borrow. This reserve constitutes part of the PCC's approach to creating a more sustainable capital financing strategy.

Safer Roads Reserve

A transfer from this reserve of £0.100m has been approved in the 2023/24 budget to meet the costs of the PCC's road safety grants and commissioned services. The reserve is ring-fenced and can only be utilised on addressing and improving road safety across Warwickshire.

Pay reserve

This earmarked reserve was created in 2022/23 in acknowledgement of the risk surrounding the pay award for officers and staff. Underspending in 2022/23 means that this will not be utilised, despite the final pay award being above the budgeted level. Provision for a 3% increase in pay has been made within the 2023/24 budget, but given continuing 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.

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PCC Grants and Initiatives Reserve

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 include the utilisation of some of this reserve to finance one-off PCC grants and also to fund additional serious violence duty costs.

Pensions & Redundancy Reserve

This reserve provides for any pensions and redundancy costs which may be incurred. Warwickshire police has a requirement to identify £3m of savings over the medium term. Whilst it is hoped that this will not require any redundancies, the retention of such a reserve constitutes sound financial planning.

The full impact of the Mcloud remedy one-off pension cost is unclear and this reserve will provide for one-off costs associated with this risk.

Income reserve

This reserve has been established to meet any shortfalls in non-commercial income, for example mutual aid, where the cost cannot be mitigated or met from within existing budgets.

Insurance and legal reserve

This earmarked reserve is held to mitigate against the risk of short-term excessive increases in insurance or legal costs falling 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, for example those costs arising from a public enquiry.

Operational reserve

The operational reserve has been set up to provide the Chief Constable with some flexibility for one-off initiatives to target improved performance, perhaps through deployment of officers on overtime rates or deliver one-off discrete items of equipment.

Capital Reserves and Balances

In addition to the revenue reserves 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 PCC holds Section 106 (Town & Country Act 1990) money. S.106 is a condition of granting planning permission and essentially provides local authorities including

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policing, with money for providing infrastructure and services. Once conditions are satisfied this money is applied to revenue or capital, however this may be over one year and hence the need to carry balances forward.

5. Procedure for use of reserves:

The use of reserves requires approval by the Commissioner and supported by his Chief Finance Officer.

All requests to use reserves should be supported by recommendations in the 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.

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:

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.

The current level of forecast reserves is relatively healthy, with transfers to reserves forecast in 2022/23. A draw down from reserves has been approved in the 2023/24 budget, to meet some revenue and capital costs. This is part of planned usage to help manage reserve levels within levels that are deemed acceptable and are neither too high or too low, to enable time to develop future savings options without having an adverse impact on policing services, and to reduce the level of borrowing required to fund capital works, and thus reduce the future revenue cost. This represents a good and prudent approach to financial planning ensuring levels are retained to manage risks, but are not excessive.

7. Risk Analysis:

The adequacy of reserve statement includes details on the risk analysis that has been undertaken. Any recommendations during the course of the year that change the planned use of reserves reported within the Annual Budget and precept setting report, will take account of the needs of operational policing balanced against the need to retain prudent levels of reserves. Such changes will need to be approved by the PCC.

In summary and in support of the risks identified as part of the adequacy of reserves review the significant risks that have been considered, and which are kept under review are:

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- The effect of high pay and non-pay inflation costs, and the impact on the budget.
- The rising cost of living and the effects this may have on crime rates.
- The impact on funding of the uplift grant which now incorporates the pay grant and for which grant conditions and penalties remain unclear.
- Not being able to deliver or achieve efficiencies and savings required over the MTFP.
- 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 transformation, including automation of some processes which will facilitate improved efficiency and productivity identified through the Empower review as part of a renewed digital strategy.
- The current financial climate is increasingly uncertain, and supply chain issues are significant in some service areas.
- The risk that collaborations don't perform well, that costs become excessive or that they break down and alternative service models have to be identified.
- The recruitment and retention of suitably qualified staff is a challenge in a relatively full employment market. This is particularly evident in some specialist roles.
- Details regarding the outcomes from the funding formula review are not yet known. It is unclear whether Warwickshire will be a net beneficiary or not of the revised arrangements. It is likely that transitional arrangement will be put in place to enact any changes, but no further details are currently known.
- Demand pressures and risks associated with spill-out demand from other agencies, affecting police performance.

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. This will include the review of the level of earmarked reserves held, which could appear insufficient and may need reassessing. Reserve levels are reassessed at year end, and also as part of the annual budget setting process, although they are kept under review during the course of the year in line with risks, as part of the budgetary control and reporting process.

8. Compliance with Home Office Guidance:

On 31st 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

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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

This information is provided in Appendix C.

9. Conclusion:

There has been a comprehensive review of all reserves held by the Police and Crime Commissioner in preparing this 2023/24 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.

Based on current planning assumptions, the level of general reserves in Warwickshire should stay above the recommended minimum level of £6m through to 2026/27, 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, and an infrastructure reserve has been created to address this. Consideration will be given to further contributing to this if there is further underspending in revenue in 2022/23 or during 2023/24.

Reserve levels are reliant on the accuracy of assumptions made across the MTFP, however the current economic outlook is uncertain and it is therefore important that reserves are held at adequate levels to mitigate these additional risks too. The financial strategy of a good and balanced budget remains, in line with the police and crime plan priorities, reserves are being used in a strategic way to manage the need for savings through transformation and driving greater efficiency from recent investments in technology. Careful budget monitoring and tight budgetary control are necessary throughout 2023/24 and the MTFP to identify any issues as they arise and enable timely decisions to be made to address any resulting financial implications. These will generally have to be dealt with within existing budget, but reserves will also help to manage the position.

Adequacy of reserves statement

Report of the Chief Finance Officer as required by section 25 of the Local Government Act 2003 on the Soundness of the Budget and the Adequacy of Reserves

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 2023/24 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, but also in respect of the uplift grant which includes the pay

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grant and will be paid as a specific grant. The conditions are not yet known, and further uncertainty exists regarding the future. The outcomes, timing and implementation of any funding formula review changes are also currently unknown. 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 will continue to be held to manage any changes that may materialise in an adverse way, although the scale of any potential change is also unknown. Notwithstanding this, detailed work on a longer-term financial plan is ongoing over a 10 year period, providing further rigour to the financial planning process. 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 police funding settlement, 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 2023/24 is £15.00 on a band D property. This report and budget is based on a precept increase of £14.00. 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 2023/24, in conjunction with budget holders to manage spending and any consequential impact on reserves. The forecast outturn for 2022/23 looks to be underspent with no significant 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 PCCs. 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.

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The Commissioner's 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/ Risk	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>While the uplift target and maintenance of officer numbers is a priority in 2023/24, it does also represent a significant financial pressure to the budget and beyond. Our assumption around pay is the single most significant risk in the draft budget. Pay related costs constitute around 80% of our total costs, so it is also acknowledged that funding may have to be re-prioritised to meet higher pay award costs above the assumed level, if additional central funding through a new pay grant is not forthcoming, or the reserve is not adequate. The financial risk is further exacerbated by the potential for penalties through the loss of uplift grant, which appears to include the pay grant element, and has increased from £1.0m to £1.9m through the settlement. The specific grant conditions for the uplift grant are critical to ensure compliance can be achieved and to protect the grant income.</p> <p>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</p>

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Budget assumptions/ Risk	Current situation in Warwickshire
	<p>staff of 3% in 2023/24, 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. High inflation remains a concern, but a thorough review of the impact of non-pay inflation has been undertaken as part of the budget work.</p> <p>An informed assessment is made of interest rate movements and investment income budgets have been increased to reflect the anticipated income receivable in 2023/24.</p> <p>All individual expenditure and income budgets are prepared based on the forecast outturn and known or estimated changes.</p>
<p>Estimates of the level and timing of capital receipts</p>	<p>The PCC and finance staff make a prudent assumption on the level and timing of any future capital receipts, however minimal. The capital receipts in respect of the sale of excess land at Leek Wootton have been built into the financing of the capital programme in the most effective way, by targeting revenue funding and capital receipts to short life assets and borrowing to longer term assets. The capital strategy will be reviewed to reflect this strategy. A combination of funding from capital receipts, revenue funding and borrowing, along with minor other sources, is included within the capital plans.</p>
<p>The treatment of demand level pressures</p>	<p>The Force is required to operate and manage within its annual budget allocation.</p> <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</p>

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Budget assumptions/ Risk	Current situation in Warwickshire
	<p>response. The operational reserve is available to deal with more significant pressures.</p> <p>A detailed breakdown on reserves and the purpose and risk that they cover is provided earlier in this report.</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 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, details are included elsewhere in the budget report. 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 one off incidents of a significant nature, and to manage fluctuations in the National Contractor Vetting Scheme.</p> <p>Warwickshire’s reliance on commercial income is largely unique and fluctuations in this income source do provide a risk legally, reputationally and financially. Mitigations are in place and monitored through the vetting board and risk management process. The Chief Constable is the national vetting lead and as such remains abreast of any planned changes and topical issues in relation to vetting.</p>
<p>The treatment of planned efficiency savings and productivity gains</p>	<p>£4.7m of savings were identified and delivered In 2021/22, followed by a further £1m of savings in 2023/24. The approach to driving efficiencies and productivity is outlined earlier in this report. Further savings are required over the MTFP, averaging £1m per annum from 2024/25 to 2026/27</p>

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Budget assumptions/ Risk	Current situation in Warwickshire
	<p>inclusive. A plan exists that can deliver these, through the review of the Empower operating model, but further savings are anticipated through investment in the Empower tech programme to implement, for example, robotics and automation in high volume, transactional areas of service. Further details on the approach and plans have been included earlier in this report.</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 partnership working arrangements with West Midlands Police for forensics services under a S22 agreement. In addition, there are a number of national and regional collaborations. All are monitored closely and anticipated costs are included within the budget and MTFP.</p> <p>Warwickshire is now fully standalone with effect from April 2022. Only historical storage facilities remain with West Mercia which are at a relatively minor cost.</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 this need will continue to be managed through the strong working relationships that exist with partners.</p> <p>The continued viability of private sector commercial partners will be exposed to increased risks, given we are in economic recession, in addition to other challenges, for example around meeting demand/staffing or around supply chain pressures.</p>

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Budget assumptions/ Risk	Current situation in Warwickshire
<p>The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.</p>	<p>The PCC has retained a number of earmarked revenue reserves to meet specific expenditure items. These are included in further detail 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 special grant aid. The PCC has written to the Home Secretary to alert them to a potential application for special grant if and when conditions have been met in relation to the recent protests at the Kingsbury oil depot. Significant incident risks and costs will always be provided for within the general reserve.</p> <p>Reserve levels have remained resilient, throughout the pandemic; while the force has implemented a huge ICT transformation programme; and stood up services in Warwickshire following the exit from the former alliance. Reserve levels will continue to be monitored to provide for risk but also facilitate adequate investment in policing services.</p> <p>HS2 risk will continue to be monitored and engagement with key partners will be prioritised where appropriate.</p>
<p>The general financial climate to which the PCC is subject.</p>	<p>The finance settlement for 2023/24 was generally positive, given the uncertainty in the economy. High inflation continues to be a significant issue and cost pressure. The increased uplift grant whilst welcome, was expected to be included in core grant. The lack of clarity regarding these grant conditions is a risk and further details are awaited with some urgency to facilitate workforce planning and ensure that compliance can be achieved and to avoid any potential financial penalties.</p> <p>Information regarding the funding formula is awaited, and timescales or details are unknown, but this remains a risk. However, the medium term financial plan over a 5 year period reflects our best estimate of future inflation rates, cost pressures, increases in government grants and revenues raised from Council Tax as they impact on the Force. The consequences of the funding formula review risk will continue to be monitored as more information becomes</p>

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Budget assumptions/ Risk	Current situation in Warwickshire
	<p>available in time. Work has been undertaken on developing a longer-term financial plan, which is retained for strategic financial modelling purposes</p> <p>Inflation in the U.K. is at a record high and is expected to stay high but fall during 2023/24. Energy costs, food and fuel prices are particularly affected. This has put pressure on personal finances, pay budgets to keep up with inflationary increases, but also concerns around the affordability of increases in the precept. The issues around each of these are being monitored through engagements and communication with the public and key stakeholders.</p> <p>Policing is often seen as the service of last resort, and the force is experiencing 'spill out' demand from other organisations, notably health, including ambulance and mental health services. Nationally it has been reported that over 65% of calls to police control centres are not crime related. This situation increases demand on police resources, reduces police capacity and remains a significant factor and risk.</p> <p>The UK economy is officially in recession and world wide growth has slowed following the impact of the pandemic. Supply chain issues are being experienced and the availability of some goods and services and their costs is providing challenge. These are being dealt with and monitored on an individual basis.</p>

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. The Treasurer has undertaken a comprehensive review of all reserves held in conjunction with the Director of Finance, details on this are contained within the main body of this report, which outlines that the general reserve will provide for costs associated with extraordinary or significant events or incidents, and for the NCVS. The general reserve is set at £6m. This is equivalent to approximately 4.7%. General reserve coverage between 4% and 5% is considered adequate. The Commissioner does not necessarily have

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to provide money in reserves for each risk element individually, unless there is some certainty that they will occur and provided that all of the events are considered to be unlikely to occur together. A separate reserve strategy is also retained and reviewed annually.

Provided that this sum is available at all times within reserves, reserve levels appear adequate based on known information and risk.

Earmarked Reserves have also been considered as part of the review undertaken by the Treasurer to assess the adequacy of reserves. The position on earmarked reserves and potential risks and issues in 2023/24 are outlined earlier, with additional information also provided below:

In addition to the revenue reserves, capital reserves are also maintained. These are used to finance the capital programme. No specific capital reserves exist, although the infrastructure reserve will finance some capital spend, this is revenue funding being used to finance capital expenditure.

Capital Grants Unapplied are set aside on the balance sheet. This would hold any central capital grants that have not yet been spent. Such grants are applied to fund the capital programme and can be carried forward without penalty until required. The balance on the reserve as at 1st April 2022 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 is shown in the capital section of this report which includes the expected position on capital receipts over the medium term. The balance on the reserve at 1st April 2022 was £0.0m.

On this basis, as Treasurer, I am therefore able to confirm that, in my professional opinion:

The estimates made for the purposes of the calculations of the Commissioner's budget requirement for 2023/24, under Section 32 of the Local Government Finance Act 1992 contained in the report, are robust.

The financial reserves that will remain available to the Commissioner, as a result of agreeing the proposals contained in this report, are adequate.

Sara Ansell
Treasurer, OPCC

Appendix B

Anticipated changes in reserve balances over the MTFP. As per the 2023/24 budget report.

Reserve	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
General	6.000	6.000	6.000	6.000	6.000	6.000
Budget & Transformation	4.158	3.094	2.437	1.875	1.859	1.859
Pay	0.500	0.000	0.000	0.000	0.000	0.200
Infrastructure	1.486	0.000	0.000	0.000	0.000	0.000
Pension & Redundancy	0.500	0.500	0.500	0.500	0.500	0.500
Insurance & Legal	0.500	0.500	0.500	0.500	0.500	0.500
Income	0.250	0.250	0.250	0.250	0.250	0.250
Operational	0.500	0.500	0.500	0.500	0.500	0.500
PCC Grants	0.359	0.259	0.259	0.259	0.259	0.259
Safer Roads	0.659	0.559	0.459	0.359	0.359	0.359
Earmarked	8.912	5.662	4.905	4.243	4.227	4.427
TOTAL	14.912	11.662	10.905	10.243	10.227	10.427

Appendix C

Analysis of revenue and capital reserves as at 31st March 2023

	Forecast Actual Balance 31.3.23 (Feb 23) £m	Planned contributions and expenditure on projects & programmes over next 5 years £m	Funding for specific projects and programmes beyond 27/28 £m	As a general contingency or resource to meet other expenditure needs £m
GENERAL REVENUE RESERVE	6.000	0.000	0.000	6.000
EARMARKED REVENUE RESERVES				
Budget & Transformation	4.158	2.299	1.859	0.000
Pay Reserve	0.500	0.300	0.200	0.000
Infrastructure	1.486	1.486	0.000	0.000
Pensions & Redundancy	0.500	0.000	0.000	0.500
Insurance and Legal	0.500	0.000	0.000	0.500
Income	0.250	0.000	0.000	0.250
Operational	0.500	0.000	0.000	0.500
PCC grants	0.359	0.100	0.259	0.000
Safer Roads	0.659	0.300	0.359	0.000
Total Earmarked Revenue Reserves	8.912	4.485	2.677	1.750
TOTAL REVENUE RESERVES	14.912	4.485	2.677	7.750