



Office of the
Police and Crime
Commissioner
for Warwickshire

PCC Reserves Strategy 2024/25

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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 several 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 the resources available to them and those estimated over the medium term, together with the totality of the capital expenditure plans and revenue forecasts for the forthcoming year and in the medium term. There is a minimum 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 2028/29 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 considering 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 considered 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. When 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 2024, 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 given the ongoing conflicts in Gaza and Ukraine and the economic fallout from them which has seen inflation reach some of the highest levels in recent history over the last 12 months. This has reduced more recently and is forecast to be at more normal levels of around 2% by the end of the year. Pay inflation remains high in a tightening labour market, and there has been strike action across a number of sectors. Energy costs remain high but are reducing. Interest rates also remain high but these are also forecast to gradually reduce later this year. The supply of some items remains challenging.

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 has successfully recruited their share of the 20,000 officers. Officer numbers are expected to top 1,125 in 2024/25, which is the highest number of officers in Warwickshire in recent history. However, the ongoing costs of sustaining these officers will be a financial challenge in the medium term, and much work is being undertaken to inform workforce planning and the financial implications over the medium term.

The 2024/25 budget includes £1.206m of efficiency savings, and also identifies further savings in 2025/26 (£1.016m) and 2026/27 (£0.545m). Despite these a further £0.750m of savings are required in the latter years of the Medium Term Financial Plan. The aim is that this remaining savings target of £0.750m can be achieved through efficiencies as a result of the ongoing investments in technology to increase productivity and improve efficiency. Reserves will underwrite this savings target risk but work is being prioritised to outline details regarding how they will be achieved.

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 2024/25. This represents approximately 4.5% of net revenue expenditure. The general reserve was increased to £6.000m in 2022/23 to reflect the increasing net revenue expenditure and 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 year.

The purpose of this reserve is essentially twofold:

- 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 2024/25 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 must specifically relate to the purpose of the reserve.

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Appendix B details for each of the earmarked reserves that exist at the start of the 2023/24 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

Safer Roads Reserve

A transfer from this reserve of £0.100m has been approved in the 2024/25 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 and pay risk as officers move through the spinal point ranges, and with less certainty regarding leavers, following 30 years service, due to pension changes. More time is being devoted to understand and make provision for the outputs from workforce planning. Provision for a 2.5% increase in pay has been made within the 2024/25 budget, but given continuing high levels of pay inflation, and cost of living pressures, there is little intelligence to understand whether this will be adequate or not. In recent years, any costs above this have been met from a separate pay grant that has been issued in year. It is anticipated that this practise would continue, but if not any costs would need to be met from the pay reserve.

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 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 their 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 outturn position in the summer of each year.

The current level of forecast reserves is relatively healthy, and a review of the adequacy of reserves over the medium term has also been undertaken. A draw down from reserves has been approved in the 2024/25 budget, to meet some revenue costs. This is part of planned usage and helps to manage reserve levels within levels that are deemed acceptable and are neither too high or too low. Such an approach will ensure that short termist savings options are not adopted, that may adversely impact policing services, and may not be required over the longer term. This represents a good and prudent approach to financial planning ensuring levels are retained to manage risks but are not excessive and can support service delivery.

7. Risk Analysis:

The adequacy of reserve statement includes details on the risk analysis that has been undertaken. Any recommendations during 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 need 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 arrangements 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 as part of the annual budget setting process, although they are kept under review during 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 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:

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- 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 2024/25 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 2028/29, Adequate provision has been made in earmarked reserves to fund expected one-off pressures and to manage known risks.

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 2024/25 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 2024/25 budget have been based, in his opinion and to the best of their knowledge, on sound assumptions. They have 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 remains around any future central funding. Work on reviewing the funding formula by the Home Office had commenced a couple of years ago, and was progressing, but this work appears to have stalled, and no further significant outputs on this are anticipated prior to a general election. Until then, the general

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reserve will continue to be held to manage any changes and risks as a result. Notwithstanding this, detailed work on a longer-term financial plan has been undertaken over a 10 year period, providing further rigour to the financial planning process, and to provide assurances around the sustainability of Warwickshire Polices financial position. Whilst planning over a longer period, does come with increased uncertainty, the 5 year medium term financial plan does represent a reasonable and prudent estimate of the likely position and it is considered a sound basis for financial 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, 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 referendum level set by government for 2024/25 is an increase in excess of £13.00 on a band D property. This report and budget are based on a precept increase of £13.00. 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 2024/25, in conjunction with budget holders to manage spending and any consequential impact on reserves. The forecast outturn for 2023/24 looks to be one of underspending with no significant adverse changes to the overall budget 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.

The Commissioner's reserves are categorised as - General Reserves, Earmarked Reserves and Capital Reserves. These will, in part, be governed by known or likely

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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 2024/25, it does also represent a significant financial pressure to the budget and across the medium term, as officers move through the substantial spinal point increases, coupled with less certainty regarding 30 year retirees number, given pensions scheme changes. 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 pay reserve is not adequate. Loss of funding is still possible for additional uplift officers if levels are not maintained.</p> <p>The Policing Minister has indicated that all forces should budget for a pay award of 2.5% in 2024/25, with any costs above that likely to result in central funding being made available, as has been the case in the last two years. Warwickshire have included a pay award for officers and staff of 2.5% in 2024/25. The 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,</p>

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Budget assumptions/ Risk	Current situation in Warwickshire
	<p>based on current spending patterns and levels. Inflation rates have reduced more recently and are projected to continue to fall during 2024. A thorough review of costs has been undertaken.</p> <p>An informed assessment has been made of interest rate movements and investment income budgets have been increased to reflect the anticipated income receivable in 2024/25. This has also been based on the returns achieved during 2023/24 and from regular discussions with our external Treasury Management Advisors.</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 use of any capital receipts has 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, wherever possible. This is reflected in the current capital strategy. A combination of funding from capital receipts, revenue funding, S106 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 response. The operational reserve is available to deal with more significant pressures and has been topped up in 2024/25, following usage in 2023/24 to meet overtime costs.</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</p>

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Budget assumptions/ Risk	Current situation in Warwickshire
	<p>in-year budget, and the general reserve would only be used in more serious situations.</p> <p>Government grants are generally announced annually in advance and are cash limited. Therefore, 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. On occasion, and perhaps on an increasing basis additional funding is announced in year to meet any additionality, if so, this will be incorporated into the in year monitoring regime.</p> <p>The PCC holds several earmarked revenue reserves to help finance specific expenditure commitments, details are included 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 any significant 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. Increasingly this funding is being targeted towards capital investments, to de-risk the position to revenue budgets. Mitigations are in place and monitored through the vetting board, regular budget monitoring and risk management processes. 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 have been identified of £1.206m in 2024/25. However, further savings are required over the MTFP of £2.827m. Over £2m of these have been identified, and plans are in place to deliver them over 2025/26 to 2027/28, although a further £0.750m is outlined</p>

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Budget assumptions/ Risk	Current situation in Warwickshire
	<p>as a savings target in the MTFP. The Chief Constable has a good track record of delivering savings and the PCC will continue to work with her and hold her to account for the delivery of these over the medium term.</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 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 and for ANPR. In addition, there are several national and regional collaborations. All are monitored closely, and anticipated costs are included within the budget and MTFP.</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 will continue to be managed through the strong working relationships that exist with partners by the force and OPCC.</p> <p>The viability of private sector commercial partners may be more exposed to increased risks, given recent stagnated growth and the potential of recession, coupled with ongoing economic and political uncertainties. This may result in other challenges, for example around meeting demand, cost pressures, staffing issues and/or around ongoing supply chain pressures.</p>
<p>The availability of reserves, government grants and other funds to</p>	<p>The PCC has retained several earmarked revenue reserves to meet specific expenditure items. These are included in further detail within this report.</p>

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Budget assumptions/ Risk	Current situation in Warwickshire
<p>deal with major contingencies and the adequacy of provisions.</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. 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. There is an increased confidence in our ability to meet any financial risks and reserve levels have moved to reflect this, to ensure that they are not held at too high a level, and thus require the force to make more savings and service changes that might be necessary. Some longer-term financial planning has been undertaken to assess longer term risks, but also that take into account the long cyclical pattern of pay spending, which is the most significant aspect of expenditure. Such an approach avoids short-termist decisions and provides the foundations for a more strategic approach to financial planning. Reserve levels will continue to be monitored to provide for risk but also facilitate adequate investment in policing services.</p> <p>HS2 and the risk arising from other protests 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 2024/25 was generally positive, given the uncertainty in the economy and politically. Policing does appear to have benefitted from additional funding, some targeted at meeting specific cost pressures and crime types, although details are often not confirmed to enable full explanation and certainty as part of the budget. PCC, local and a general election are all anticipated in 2024, which could result in some significant changes. This creates uncertainty regarding future funding and potential policy changes, but this continues to be monitored and networking and engagements with partners, other policing</p>

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Budget assumptions/ Risk	Current situation in Warwickshire
	<p>colleagues and wider networks will be utilised, to test and provide assurance where possible.</p> <p>The widely anticipated funding formula has now stalled presumably due to the political and economic uncertainty of recent months, and timescales or details remain unknown, or whether this will even be a priority for a new Government. However, the current allocation system is historic and arguably in need of a reset. 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, if or when anything changes, but this appears highly unlikely in the foreseeable future. Work will continue to be undertaken internally on a longer-term financial plan, for strategic financial modelling purposes and to make assessments and to understand the longer-term impact of the cyclical pattern for police officer recruitment, attrition and pay burdens.</p> <p>Inflation in the U.K. had hit record highs but has been a focus for the Government and Bank of England, and rates have reduced significantly over recent months. They are anticipated to continue falling in 2024, until the target of 2% is reached. Energy costs and food prices remain high, as has pay inflation. Pressure on personal finances continue, and this has arguably impacted on crime particularly perhaps across the retail sector and also surrounding concerns on the affordability of increases in the precept. Affordability issues are discussed at the various engagements and communications with the public and key stakeholders.</p> <p>Policing is often seen as the service of last resort, and the force is still at risk of 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, but this is being partly addressed through the right</p>

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Budget assumptions/ Risk	Current situation in Warwickshire
	care, right person initiative, which is helping to manage demand on police resources.

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. In undertaking this review both S151 officers have also been mindful of the outcomes from the work independently undertaken by CIPFA on the resilience index, which take into account a number of different financial factors and indicators to assess the financial position and resilience of Warwickshire police. The CIPFA findings were largely positive and the most recent report showed an improved scoring.

The general reserve is set at £6m. This is equivalent to approximately 4.5% of net revenue expenditure. General reserve coverage between 4% and 5% is considered adequate. The Commissioner does not necessarily have 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 always available 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 2024/25 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 across the MTFP.

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 01 April 2023 was £0.0m.

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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 01 April 2023 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 2024/25, 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, should be adequate.

Sara Ansell
Treasurer, OPCC

Appendix B

Anticipated changes in reserve balances over the MTFP. As per the 2024/25 budget report.

Reserve	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m
General	6.000	6.000	6.000	6.000	6.000
Budget & Transformation	0.474	0.474	0.474	0.474	0.474
Pay	2.824	2.078	0.832	0.328	0.358
Infrastructure	0.500	0.500	0.500	0.500	0.500
Pension & Redundancy	0.500	0.500	0.500	0.500	0.500
Insurance & Legal	0.250	0.250	0.250	0.250	0.250
Income	0.500	0.500	0.500	0.500	0.500
Operational	0.308	0.308	0.308	0.308	0.308
PCC Grants	0.766	0.666	0.616	0.566	0.566
Safer Roads	0.474	0.474	0.474	0.474	0.474
Earmarked	6.122	5.276	3.980	3.426	3.456
TOTAL	12.122	11.276	9.980	9.426	9.456

Appendix C

Analysis of revenue and capital reserves as at 31 March 2024

	Forecast Actual	Planned contributions / expenditure on projects & programmes over next 5 years £m	Funding for specific projects and programmes beyond 28/29 £m	As a general contingency or resource to meet other expenditure needs £m
	Balance 31.3.25 (Feb 25) £m			
GENERAL REVENUE RESERVE	6.000	0.000	0.000	6.000
EARMARKED REVENUE RESERVES				
Budget & Transformation	0.474	0.000	0.000	0.474
Pay Reserve	2.824	2.466	0.358	0.000
Infrastructure	0.000	0.000	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	0.308	0.000	0.308	0.000
Safer Roads	0.766	0.200	0.566	0.000
Total Earmarked Revenue Reserves	6.122	2.666	1.232	2.224
TOTAL REVENUE RESERVES	12.122	2.666	1.232	8.224