



The Office of the Police and Crime Commissioner for Leicestershire

Reserve Strategy

1. Introduction

- 1.1. The Local Government Finance Act 1992 requires billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 1.2. Reserves are a recognised and intrinsic part of financial planning and budget setting. The assessment of 'adequate' and 'necessary' levels of reserves is a matter for local authorities to determine. It is the responsibility (with statutory backing in England and Wales) of the CFO to advise the local authority on the appropriate level of reserves and the robustness of the estimates (CIPFA Financial Management Code, Section 4).
- 1.3. The Revised Home Office Financial Management code of Practice for the Police Forces of England and Wales (FMCP) states that the PCC should establish a reserves policy and have due regard to the need to ensure the ongoing funding of policing activities and the requirement to meet exceptional or extraordinary policing operations.
- 1.4. The FMCP states reserves should be held by the PCC and managed to balance funding and spending priorities and to manage risks. This should be established as part of the medium-term financial planning process.
- 1.5. Each PCC should publish their reserves strategy on their website, either as part of their medium-term financial strategy or in a separate reserves' strategy document.
- 1.6. This reserves strategy includes details of current and future planned reserve levels, total amount of reserves and the amount of each specific reserve held for each year. It covers both revenue and capital reserves and provides information for the period of the medium-term financial plan (Appendix A).
- 1.7. Sufficient information is provided to enable understanding of the purpose(s) for which each reserve is held and how holding each reserve supports the PCC's medium-term financial plan (Appendix B).
- 1.8. The strategy sets out in a way that is clear and understandable for members of the public, and includes:
 - how the level of the general reserve has been set;

- justification for holding a general reserve larger than five percent of budget;
- details of the activities or items to be funded from each earmarked reserve, and how these support the PCC and Chief Constable's strategy to deliver a good quality service to the public. Where an earmarked reserve is intended to fund a number of projects or programmes (for example, a change or transformation reserve), details of each programme or project to be funded should be set out.

1.9. The FMCP clearly states the information on each reserve should make clear how much of the funding falls into the following three categories:

- Funding for planned expenditure on projects and programmes over the period of the current medium-term financial strategy.
- Funding for specific projects and programmes beyond the current planning period.
- As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance).

2. Financial Regulations

2.1. The PCC must decide the level of reserves he wishes to retain before he can decide the level of council tax. Reserves are maintained as a matter of prudence, and all are owned by the Police and Crime Commissioner. As per the Corporate Governance Framework the PCC is responsible for:

- approving a policy on balances, reserves and provisions.
- approving the creation of each earmarked reserve or provision. The purpose, usage and basis of transactions should be clearly identified for each reserve established.
- approving the allocation of monies to and from general and earmarked reserves, as part of the annual budget setting process.

2.2. The PCC Chief Finance Officer (PCCCFO) is the Police and Crime Commissioner's professional adviser on financial matters and shall be responsible for advising the Police and Crime Commissioner on the robustness of the estimates and the adequacy of financial reserves. The responsibilities of the PCCCFO are:

- To advise the Police and Crime Commissioner on appropriate levels of balances, reserves and provisions to reflect long term financial risks faced.
- To report to the Police and Crime Commissioner on the adequacy of balances, reserves and provisions before he approves the annual budget and council tax.
- To approve appropriations to and from each earmarked reserve. These will be separately identified in the Annual Statement of Accounts.

2.3. The CC Chief Finance Officer (CCCFO) is the Chief Constable's professional responsible for proper financial administration and a personal fiduciary responsibility to the local council taxpayer. The responsibilities of the CCCFO are:

- To ensure in consultation with the Chief Constable that the annual revenue budget is sufficient to finance foreseeable operational needs without having to request additional approval.

- To present business cases to the PCCCFO and Police and Crime Commissioner for one-off expenditure items to be funded from earmarked and/or general reserves.

2.4. The full financial regulations and scheme of delegation are set out in the Corporate Governance Framework.

3. **Reserves Policy**

3.1. The Commissioner holds reserves for the following purposes:

- As a contingency for any unforeseen or unknown events
- To manage transformation or invest to save initiatives
- To manage strategic risks
- To support specific projects or initiatives and maintain service delivery
- As a contingency for insurance and civil claims

3.2. It is recommended that each of the reserves is reviewed and re-aligned, where appropriate to current priorities. It is recommended that this review of reserves is carried out by the Chief Finance Officer of the PCC with recommendations being made to the Police and Crime Commissioner on the outcome of the review.

3.3. It is good financial management to regularly review the balances of the reserves held on a regular basis as part of budget monitoring.

3.4. The following 'guiding principles' are recommended in relation to the management of reserves. Taken together, they make up the strategy for the use of reserves.

- General Fund reserves should be in the range of 2% to 5% of the total net budget.

	2026-27 £m	2027-28 £m	2028-29 £m	2029-30 £m
Net Revenue Expenditure	267.0	276.7	283.6	290.7
Minimum level of General Reserve (2%)	5.3	5.5	5.7	5.8
Maximum level of General Reserve (5%)	13.4	13.8	14.2	14.5

- The Budget Equalisation Reserve can be used to fund 'invest to save' and other initiatives or to recognise that some savings may take time to implement and to smooth the impact of these savings. Therefore, there must be a strategy to move reliance away from the reserve over a period of time.
- Other earmarked reserves should only be used for specific time limited projects, to provide financial cover for potential future financial liabilities and for 'invest to save' projects.
- Ongoing reliance should not be placed on reserves to deal with the funding of financial deficits and a clear plan should be in place to move reliance away from one off reserves.
- There should be an annual review of reserves.

4. **Reserves Information**

4.1. On the 31 March 2026 the following level of reserves are expected to held by the Police and Crime Commissioner for Leicestershire:

- General Fund Balances £5.86m
- Earmarked Reserves £18.35m

Total Reserves Held £24.21m

4.2. Appendix A details the reserves that are projected to be held on 31 March 2026 and estimates how these reserves are currently expected to be used over the next five years. These projections are based on current plans and assumptions built into the latest budget and updated Medium Term Financial Plan.

4.3. The analysis splits the reserves into various categories highlighting the different reason why reserves are held. The categories contained within the analysis include reserves held for:

- Maintaining Service Delivery
- Partnership
- Earmarked Contingencies
- OPCC Specific Reserves
- Miscellaneous
- Jointly Controlled Operations
- Funds held on behalf of Partners

These are in addition to the general fund balances held and the remaining unapplied capital receipts.

A description of what each reserve is held for is contained at Appendix B.

4.4. The guidance from the Home Office is contained at Appendix C. Within it, it asks for the reserves to be categorised further to split them between reserves that are held for particular projects and those that are held for good financial management purposes.

4.5. This analysis can be summarised below and fulfils the requirement within the Home Office guidance:

	31/03/2025	31/03/2026	31/03/2027	31/03/2028	31/03/2029	31/03/2030
Planned Expenditure on projects and programmes over the life of the medium term financial plan	8,236,390	3,099,012	1,790,485	1,790,485	1,790,485	1,790,485
Planned Expenditure on projects and programmes beyond the current planning period	3,628,613	2,958,686	2,462,254	2,070,355	1,061,015	1,668,659
Reserves held to meet sound principles of good financial management	22,066,103	19,214,482	16,498,013	16,753,013	17,008,013	17,263,013
Grand total	33,931,105	25,272,180	20,750,752	20,613,853	19,859,513	20,722,157

5. General Reserves

5.1. General reserves can be described as ‘the contingency of last resort’. It is the level of cash balances that have not been earmarked for any specific purpose and is held to deal with any unplanned emergency or exceptional item of expenditure for which there is no other funding available.

5.2. The level of general fund reserves held should not be excessive but should be held at a level in order for there to be sufficient funds available to deal with any

urgent costs of emergency expenditure that arises. The respective Chief Financial Officer of the Police and Crime Commissioner applies their professional judgement to recommend a level of general fund balances to hold.

- 5.3. It is considered prudent for the level of general fund balances to be between 2% and 5% of the total net budget. Home Office guidance states that justification should be provided for general fund balances exceeding 5%.
- 5.4. The current General Reserve balance of £5.86m represents 2.3% of the Net Revenue Budget for 2025/26, falling to 2.2% of the Net Revenue Budget for 2026/27.

6. Risk-Based assessment of the General Reserve

- 6.1. In determining the appropriate level of General Reserve, the OPCC applies a risk-based methodology, rather than relying solely on a percentage of the Net Revenue Expenditure. This approach reflects good practice set out in the CIPFA financial Management Code and Home Office guidance.
- 6.2. The assessment considers the residual financial risks facing the OPCC after taking account of mitigations, earmarked reserves, insurance arrangements, and in-year budget management.
- 6.3. The principal unmitigated risks relevant to the OPCC and Leicestershire Police include:
- Volatility in national pay awards exceeding Medium-term Financial Plan (MTFP) assumptions.
 - Inflationary pressures on non pay budgets, including energy, fleet and ICT contracts
 - Operational costs arising from major incidents or public disorder
 - ICT and cyber resilience risks
 - Legal and misconduct liabilities
 - Risks arising from collaboration and partnership arrangements
- 6.4. Based on the OPCC’s current financial profile, including a Net Revenue Expenditure of £267.0m and a savings requirement of £1.2m, the Chief Finance Officer has assessed the aggregate residual in-year financial exposure to be in the region of £6.2m.

6.5. This assessment includes the following:

Risk Area	Assumption	Residual Exposure (£)
Police Pay award above MTFP assumption	+1% base pay	2.20
Non-Pay inflation above MTFP assumption	+1%	0.60
Savings delivery risk	25% of efficiency savings target	0.30
Major incident/public disorder	Based on 1% NRE	2.60
ICT/cyber incident	Recovery and Remediation	0.50
Total Estimates residual exposure		6.20

6.6. The current General Reserve balance of £5.86m, representing approximately 2.2% of Net Revenue Expenditure, is therefore assess as broadly adequate but

with limited headroom. It provides resilience against a significant single financial shock, but offers reduced capacity to absorb multiple concurrent pressures.

- 6.7. Having regard to this assessment, the Chief Finance Officer considers that a minimum prudent level for the General Reserve would be in the range of £6.2m to £6.3m, subject to the prevailing risk environment and affordability.
- 6.8. The adequacy of the General Reserve will continue to be reviewed annually as part of the budget and Medium term financial plan, and throughout the year via budget monitoring, to ensure it remains proportionate to the financial risks.
- 6.9. The Commissioner has agreed the transfer of £340k from the Budget Equalisation reserve to the General Reserve.

7. Medium Term Financial Plan

- 7.1. The medium-term financial plan has been refreshed and latest figures show budget deficits over the medium term. There are no plans to use the reserves to bridge the gap in the budget therefore the deficits will need to be met through either efficiencies or reduced service.
- 7.2. If reserves are used to temporarily fund a deficit then there needs to be a plan to move reliance away from the reserves over a period of time. They are not a sustainable answer to funding budget deficits as they will quickly be used up.
- 7.3. Efficiencies should continue to be sought to balance budget pressures and the use of reserves should be on a temporary and cautious basis.

8. Use of Reserves

- 8.1. In July 2022 it was agreed that £7.5m of the BER will be used during the MTFP period to fund ongoing historical investigations of £0.3m, Job Evaluation Pay protection costs of £0.2m and Business Transformation costs. The Business Transformation costs included £5m for Cloud Migration and £2m for Peripatetic Investigators.
- 8.2. It is forecast that £2m will be used in 2025/26 and the remaining £1.7m will be drawn down during 2026/27.
- 8.3. For 2026/26 the Commissioner has agreed to use £1.8m of reserves for the following:
 - 2026/27 Investments - £0.7m
 - Prevention Hub - £0.3m
 - Custody CCTV Contract - £0.1m
 - Contribution to Op Olympus - £0.1m
 - OPCC - £0.1m
 - Op Equipment - £0.04m
 - Economic Crime Unit - £0.4m
 - Team Leicestershire Academy - £0.09m
- 8.4. There will be £0.03m of partnership reserves drawn down in 2026/27, £1.3m of carry forwards agreed as part of the year end closedown and a transfer to reserve of £0.3m to the Civil Claims and Fleet Insurance reserves.

- 8.5. Any unbudgeted/unplanned use of reserves will require a business case submitted to the PCC for approval.
- 8.6. It is the intention of the Commissioner to create a Crime Prevention fund to use on activities to support the delivery of the Police and Crime Plan for the remainder of the Commissioner's term in office. The Commissioner intends to transfer £1.2m from the Commissioning reserve and £2.5m from the Budget Equalisation reserve to the Crime Prevention fund to commission crime prevention activity. Any residue underspend from the 2025/26 budget will also be transferred to the Commissioner's Crime Prevention fund.

9. Conclusion

- 9.1. The level of reserves held by the PCC are estimated to total £19.55m by the end of financial year 2026/27 (subject to the approval of transfers which were not approved at budget setting).
- 9.2. It is important that reserves are reviewed on a regular basis and it is clear why reserves are being held.
- 9.3. This report sets out to provide details on all of the reserves currently held and seeks to agree some 'guiding principles' in relation to how reserves are managed going forward.

Reserves - Medium Term Forecast

Appendix A

	Actual 31/03/2025 £	Forecast 31/03/2026 £	Estimated 31/03/2027 £	Estimated 31/03/2028 £	Estimated 31/03/2029 £	Estimated 31/03/2030 £
<u>Maintaining Service Delivery</u>						
Budget Equalisation	11,766,312	8,392,691	5,085,889	5,085,889	5,085,889	5,085,889
Economic Crime	2,078,572	1,571,781	1,187,567	795,668	393,972	393,972
Carry-Forwards	5,996,287	1,226,775	49,283	49,283	49,283	49,283
	19,841,171	11,191,247	6,322,739	5,930,840	5,529,144	5,529,144
<u>Partnerships</u>						
DBS Reserve	100,690	100,690	100,690	100,690	100,690	100,690
SARC Reserve	124,205	124,205	124,205	124,205	124,205	124,205
Lighthouse Reserve	44,685	44,685	44,685	44,685	44,685	44,685
MAPPA Reserve	10,373	14,538	8,823	8,823	8,823	8,823
IOM Reserve	0	0	0	0	0	0
	279,953	284,118	278,403	278,403	278,403	278,403
<u>Earmarked Contingencies</u>						
Fleet Insurance	1,112,979	1,237,979	1,396,312	1,521,312	1,646,312	1,771,312
Civil Claims	1,566,148	1,696,148	1,826,148	1,956,148	2,086,148	2,216,148
Capital Reserve	302,004	302,004	302,004	302,004	302,004	302,004
Equipment Reserve	897,199	897,199	859,199	859,199	859,199	859,199
Collection Fund Reserve	-	-	-	-	-	-
OPCC General	234,061	97,870	12,445	12,445	12,445	12,445
	4,112,391	4,231,200	4,396,108	4,651,108	4,906,108	5,161,108
<u>OPCC</u>						
Commissioning	1,554,296	1,260,119	1,260,119	1,260,119	1,260,119	1,260,119
SPDF	-	-	-	-	-	-
OPCC	587,010	540,948	409,913	409,913	409,913	409,913
Community Partnership Fund	98,797	71,170	71,170	71,170	71,170	71,170
	2,240,103	1,872,237	1,741,202	1,741,202	1,741,202	1,741,202
<u>Miscellaneous Reserves</u>						
Memorial Garden	665	665	665	665	665	665
Police Dogs	659	659	659	659	659	659
Chief's Charity Trust	6,105	6,105	6,105	6,105	6,105	6,105
	7,429	7,429	7,429	7,429	7,429	7,429
Jointly Controlled Operations	828,461	828,461	828,461	828,461	828,461	828,461
Funds Held on Behalf of Partners	1,028,598	997,488	976,410	976,410	368,766	976,410
Total Earmarked Reserves	28,338,105	19,412,180	14,550,752	14,413,853	13,659,513	14,522,157
<u>Capital Grants Unapplied</u>						
General Reserve	5,593,000	5,860,000	6,200,000	6,200,000	6,200,000	6,200,000
Grand Total	33,931,105	25,272,180	20,750,752	20,613,853	19,859,513	20,722,157

Description of Reserves

Appendix B

Earmarked Reserve	Projected Amount held at 31 March 2026	Purpose Funds Held For
General Reserve	5,860,000	
Budget Equalisation	8,392,691	This represents revenue funds set aside to support the ongoing change programme and investments in the future of the OPCC/Group and to support the impact of moving through a period of change.
Economic Crime	1,571,781	These are the funds awarded to the OPCC/Group by the courts under the Proceeds of Crime Act. These funds are used to further the force's capability in financial and other investigative areas.
Carry-Forwards	1,226,775	This reserve includes those sums that the OPCC/Group has approved to carry forward to finance specific expenditure in 2020/21 and beyond.
Disclosure Barring Service (DBS) Reserve	100,690	Surplus funds received from the DBS to be used for the purchase of fixtures, fittings and equipment in support of the OPCC/Group's work on behalf of the DBS.
Sexual Assault Referral Centre (SARC)	124,205	Funds set aside from budget underspends and partner contributions to support future projects.
Lighthouse Reserve	44,685	Funds held for the lighthouse project
Multi Agency Public Protection Agency (MAPPA) reserve	14,538	Funds set aside for MAPPA projects and activity.
Fleet Insurance	1,237,979	The excess on the vehicle insurance policy is £100k. The reserve is to meet the cost of claims that fall below this value.
Civil Claims	1,696,148	The reserve holds revenue funds that have been set aside where considered prudent by the OPCC/Group against Civil claims (Public and Employer liability) that independent advice suggests is unlikely to result in the transfer of economic benefits.
Capital Reserve	302,004	Revenue contributions that are held to fund future capital expenditure.
Equipment Reserve	897,199	Funds held for the periodic replacement of personal equipment such as body worn video, taser equipment and personal protective equipment.
Collection Fund Reserve	0	Council tax deficit grant held to offset council deficit as a result of COVID.
Commissioning	1,260,119	The resources set aside to support the Police and Crime Commissioner's activities in support of the Police and Crime Plan and the commissioning activity contained within it.
OPCC	540,948	Funds set aside to support the work of the Police and Crime Commissioner.
Community Partnership Fund	71,170	This represents resources set aside to support the Police and Crime Commissioner's activities in support of the Police and Crime Plan and partnership working.
OPCC General	97,870	Funds relating to a bequest which was made to Leicestershire Police.
Memorial Garden	665	Funds held for projects relating to the memorial garden at Police Headquarters.
Police Dogs	659	Funds held on behalf of the Police Dog handling section.
Chief's Charity Trust	6,105	Funds held on behalf of the Chief's Charity Trust.
Jointly Controlled Operations	828,461	Funds held which relate to Leicestershire's proportion of any historic underspends on the regional units that are in existence. And that Leicestershire participate in.
Funds Held on Behalf of Partners	997,488	Funds set aside to support a national project intended to reduce distraction burglary and for regional collaborative projects.
Earmarked Reserves Total	19,412,180	
Grand Total	25,272,180	