

Staffordshire Police, Fire and Crime Panel**2nd February 2026****Reserves Strategy Update****Report of the Staffordshire Commissioner****INTRODUCTION**

Statutory provision is made within the Local Government Finance Act 1992 that requires precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure. The Director of Finance / S151 Officer for the Staffordshire Commissioner's Office has a duty to report on the robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003) when the authority is considering its annual budget requirement.

This paper gives due consideration to the overall level of reserves held as at 31 March 2025 and the forecast position as at 31 March 2026. The Panel are asked to note the overall impact on Reserves as incorporated within the approved Medium-Term Financial Strategy (MFTS).

The Reserves Strategy was last approved in February 2025 as part of the budget setting process for 2025/26 and has now been updated to incorporate and reflect:

- The updated MFTS for 2026/27 to 2029/30
- The actual Reserves position as per the Statement of Accounts for 2024/25, and a forecast for 2025/26
- The impact of approved reserve utilisation as per the current and updated strategy

A number of different reserves are held by the Staffordshire Commissioner (both usable and unusable) in line with the CIPFA guidance, however this paper focuses on the two key areas of reserves that impact on the future financial strategy:

- **General Reserve**, to allow for unexpected / emergency events – balance as at 31 March 2026 is forecast to be £11.094m (see **Appendix 1**),
- **Earmarked Reserves** – to meet future known or predicted requirements – balance as at 31 March 2026 is forecast to be £32.287m (See **Appendix 1**)

Overall, the level of Usable Reserves at 31 March 2025 was £47.812m (includes capital grants unapplied of £0.331m) and forecast to reduce by £4.100m in year to £43.712m by March 2026. The general reserve will be increased to £11.094m (assumes that the current forecast underspend as reported at Quarter 3 2025/26 is transferred here) across the MTFS period while the earmarked reserves (including capital reserves) are forecast at £27.863m by March 2030. These reserves are in line with sector standards.

RECOMMENDATIONS

That the Police Fire and Crime Panel note:

1. the overall reserves position for both General and Earmarked Reserves as contained within this report,
2. to consider the adequacy and proposed earmarking of the reserve that will be incorporated into the budget setting exercise for 2026/27, and utilisation of reserves as incorporated within the updated MTFS.

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1. Prudential Code and Capital Spend

- 1.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires Chief Finance Officers in local authorities to have full regard to affordability when making recommendations about the local authority's future capital programme. Such consideration includes the level of long-term revenue commitments. In considering the affordability of its capital plans, the Staffordshire Commissioner is required to consider all of the resources available, together with the totality of its capital plans and revenue forecasts for the forthcoming year and into the medium term.
- 1.2. The statutory reporting regime discussed within this paper and effective financial management underpin the need for clear, transparent reporting arrangements for reserves and CIPFA recommend that there should be clear protocol setting out the following:
 - the reason for / purpose of the reserve;
 - how and when the reserve can be used;
 - procedures for the reserve's management and control; and
 - timescale for review of the reserve to ensure continuing relevance and adequacy.
- 1.3. Whilst it is primarily the responsibility of the Staffordshire Commissioner and its S151 Officer to maintain a sound financial position, our external auditors Azets annually review for any material uncertainties and test to ensure that Staffordshire Police remain a going concern. However, it is not the responsibility of the auditors to prescribe the optimum or minimum level of reserves for authorities in general. A separate Going Concern report is submitted annually to the external auditor and is also reviewed by the Ethics Transparency and Audit panel.

2. Types of Reserve

- 2.1. When considering the Medium-Term Financial Strategy and preparing annual budgets the Staffordshire Commissioner should consider the establishment and maintenance of reserves. Reserves can be held for these main purposes:
 - a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
 - a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
 - a means of building up specific funds, often referred to as earmarked reserves, to meet known or predicted requirements; and
 - A capital receipts reserve generated from the sale of surplus assets, which in line with legislation can only be re-invested back into capital goods (or whilst specific legislation allows transformation spend).

3. Reporting of Reserves

- 3.1. The IFRS-based Code of Practice on Local Authority Accounting in the United Kingdom (the Code) introduced the Movement in Reserves Statement to local authority financial statements in the 2010/11 financial year. This Statement presents the movement in the

year of the reserves of the Authority analysed into usable reserves, (e.g. General and earmarked reserves) and unusable reserves.

- 3.2. The total usable reserves as per the unaudited statement of accounts is £47.812m as at 31 March 2025, being the general fund £9.784m, earmarked reserves £37.697m, and capital grants unapplied £0.331m.

The Movement in Useable Reserves Statement can be found within the statutory accounts for 2024/25, and is shown below:

	Balance at 31 March 2024 £'000	Balance at 31 March 2025 £'000
General Fund	9,636	9,784
Capital receipt reserve	0	0
Capital grants unapplied	331	331
Reshaping the Future	2,089	1,471
IT Transformation Reserve	2,634	2,243
Insurance Reserve	314	919
Pay and Pension Reserve	5,688	4,027
Collaboration Reserve	618	716
Capital Reserve	1,378	1,283
ESN Reserve	2,422	2,422
Major Policing Events Reserve	473	473
Budget Support Reserve	5,751	8,428
Operational Reserves	14,516	15,716
Total Earmarked Reserves	35,883	37,697
Total Usable Reserves	45,850	47,812

- 3.3. Unusable reserves arise out of the interaction of legislation and proper accounting practice either to store revaluation gains or as adjustment accounts to reconcile accounting requirements (i.e. reconciliation of reporting standards to statutory requirements)
- 3.4. Section 26 of the Local Government Act 2003 gives ministers in England and Wales a general power to set a minimum level of reserves for local authorities. However, the government has undertaken to apply this only to individual authorities in the circumstances where an authority does not act prudently, disregards the advice of its Chief Finance Officer and is heading for serious financial difficulty.
- 3.5. Whilst it remains the responsibility of the Director of Finance/S151 Officer for the Staffordshire Commissioner to advise on the overall level of reserves that are held; the Staffordshire Commissioner should assist by providing clear protocols for the establishment and use of reserves, as reserves should not be held without a clear purpose.

- 3.6. The Staffordshire Commissioner has indicated that the level of general reserves be set at a minimum level of 3% of the annual revenue budget. The Panel should note that the level of general reserves is currently £9.784m or 3.59% of the 2025/26 net revenue budget. The reserves forecast currently shows the forecast underspend for the financial year as going to the general fund. It should be noted that consideration will be given to transferring the underspend at the end of the financial year to the budget support reserve.

4. Reserves Strategy and Future Outlook

- 4.1. This paper gives due consideration to the overall level of reserves held as at 31 March 2025 and the forecast position for 31 March 2026, and the panel are asked to note the overall position as scheduled in **Appendix 1**.

4.2. General Reserve

- 4.2.1 The Commissioner's policy for the general reserve fund is for it to hold as a minimum a balance of 3% of the net revenue budget of the combined budgets of the Commissioner and Staffordshire Police. This is currently considered to be a minimal safe level which would afford two incidents of maximum exposure to loss in any one year.
- 4.2.2 The maximum exposure to loss for a particular event is understood to be 1% of net budget in the light of the guidance which is issued by the Home Office relating to the police special grant. This guidance establishes that in the event that a force can prove it has proportionately policed a major incident which has created an unaffordable cost in one year, and that is independently reviewed by HMICFRS, the force can claim for costs exceeding 1% of the net budget for each incident. This guidance was updated in May 2021 and we expect it to continue to be in place during the period of the MTFS.
- 4.2.3 At the end of March 2025, the general reserve was £9.784m; this represents 3.59% of the annual revenue budget for 2025/26. It is assumed that the forecast underspend in 2025/26 goes to the general reserve. It should be noted that consideration will be given to transferring the underspend at the end of the financial year to the budget support reserve.

4.3. Earmarked reserves

- 4.3.1 The earmarked reserve provision is required not only to fund future projects and investments but also to provide funding:
- To cover specific risk items that are excluded from the MTFS but may present as financial pressures over the life of the MTFS such as the current age discrimination changes to public sector pensions;
 - To cover areas of the budget subject to fluctuations in spend based on risk such as self-insured Insurance claims;
 - To support transformation. Whilst current legislation allows for the use of capital receipts to fund transformation this means these receipts would be used on revenue spend as opposed to re-investing back into assets (which would increase long term debt). The Commissioner is re-investing all receipts back into the acquisition of new assets;

- To provide for future contingent liabilities that have been identified within the statutory accounts;
- To provide budgetary support. This reserve is earmarked to support the budget on a one-off basis whilst efficiency savings are phased in with a view to implementing these savings in the most sustainable manner possible;
- Reserves held for specific operational requirements.

4.3.2 The balance on these reserves as at 31 March 2025 was £37.697m and is forecast to reduce in year by £5.410m to close the year at £32.287m. This decrease is mainly driven by the use of the capital reserve to support the capital programme, the use of the Budget Support Reserve to support the 2025/26 budget, the use of the Pay and Pensions reserve to fund pensions remedy costs and the draw down of various operational reserves.

5 Reserve Forecast

5.1 The following table represent the forecast use of reserves as stated in the MTFs, with other known adjustments (figures shown represent estimated balance as at the 31st March).

	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
General Fund	11,094	11,094	11,094	11,094	11,094
Capital Receipts Reserve	0	0	0	0	0
Capital Grants Unapplied	331	331	0	0	0
Budget Support Reserve	4,783	2,882	2,882	2,882	2,882
Capital Reserve	947	1,313	1,679	2,045	2,410
Collaboration Reserve	691	691	691	691	691
ESN Reserve	2,422	2,422	1,953	0	0
Insurance Reserve	1,621	1,621	1,621	1,621	1,621
IT Transformation Reserve	2,243	1,843	1,443	1,443	1,443
Major Events Policing Reserve	104	104	104	104	104
Operational Reserves	12,784	12,510	12,347	12,184	12,020
Pay and Pension Reserve	3,836	3,836	3,836	3,836	3,836
Reshaping the Future Reserve	1,246	1,246	1,246	1,246	1,246
Uplift Reserve	1,610	1,610	1,610	1,610	1,610
Total Earmarked Reserves	32,287	30,078	29,412	27,662	27,863
Total Usable Reserves	43,712	41,503	40,506	38,756	38,957

5.2 The levels of reserves held is under constant review in order to ensure that any identified risks and issues are adequately provided for. It may be necessary to transfer monies between reserves in future periods in order to meet need, or where it is no longer felt necessary to hold a reserve for the originally intended purpose.

6 Review of Reserves

6.1 Following a review of the reserves, it is proposed that the Uplift Reserve is renamed to the Officer Maintenance Reserve. This will take effect from 1st April 2026.

Appendix 1

Usable Reserves Forecast 31 March 2026

Actual 31/03/2025 £000		Transfer In £000	Transfer Out £000	Forecast 31/03/2026 £000
9,784	General Fund	1,310	0	11,094
0	Capital Receipts Reserve	0	0	0
331	Capital Grants Unapplied	0	0	331
8,428	Budget Support Reserve	0	(3,645)	4,783
1,283	Capital Reserve	1,345	(1,681)	947
716	Collaboration Reserve	0	(25)	691
2,422	ESN Reserve	0	0	2,422
919	Insurance Reserve	800	(98)	1,621
2,243	IT Transformation Reserve	0	0	2,243
473	Major Events Policing Reserve	1	(370)	104
13,815	Operational Reserves	1,443	(2,474)	12,784
4,027	Pay and Pension Reserve	0	(191)	3,836
1,471	Reshaping the Future Reserve	0	(225)	1,246
1,900	Uplift Reserve	0	(290)	1,610
37,697	Total Earmarked Reserves	3,589	(8,999)	32,287
47,812	Total Usable Reserves	4,899	(8,999)	43,712

The following earmarked reserves have been established (or aggregated as shown above) for the following purposes:

Budget Support Reserve – this reserve was included within the previous MTFS and additional balances have been transferred during the year. This use of this reserve has been included within the updated MTFS in 2026/27.

Capital Reserve – to fund future capital projects on assets with a short asset life, as well as to support any urgent H&S works of a capital nature.

Collaboration Reserve – to support the one-off costs associated with local public sector collaboration. This reserve is used to either support projects aimed at generating a financial return on the one-off investment or improving partnership working and outcomes.

Emergency Services Network (ESN) Reserve – the ESN programme will see the current Airwave based communications system replaced with a new 4G based service. Funding will be required for the replacement of devices.

Insurance Reserve – provides for the self-funding of certain uninsurable risks and also to cover the excess (£100,000) for any unknown claims before the insurance cover is applied.

Major Events Policing Reserve – this reserve holds funds to contribute towards the costs of policing major events should the need arise.

Pay and Pension Reserve – provides provision around future unknown costs relating to pay and the public sector pensions age discrimination case (McCloud) as well as for flexibility in the payment of ill health pension payments to the pension fund.

Transformation – these reserves are held to support transformation activity and are divided between a general transformation reserve (Reshaping the Future) and an IT/Digital specific transformation reserve.

Uplift Reserve – to support the further training and development of the force as it brings in new officers. Please note that as stated above, this reserve will be known as the **Officer Maintenance Reserve** with effect from 1st April 2026.

Operational Budget Reserves – this includes a number of specific earmarked reserves.