

# **Report of the Chief Finance Officer of the PCC to the Police and Crime Commissioner for Cleveland**

**18<sup>th</sup> February 2026**

**Status: For Approval**

## **Long Term Financial Plan (LTFP) 2026/27 to 2029/30 and Capital Plans 2026/27 to 2029/30 including Reserves Strategy**

### **1. Executive Summary**

#### **1.1 Purpose of the Report**

This report asks the PCC to agree the Budget proposals for 2026/27 and the Long Term Financial Plan (LTFP) for 2026/27 – 2029/30 in line with the legal requirement to set a budget prior to the 1st March each year for the following financial year. It also asks the PCC to agree the funding for the Capital Programme for 2026/27 and the indicative allocations for the period 2027/28 to 2029/30.

### **2. Recommendations**

2.1 The PCC is requested to approve the allocation of the £212,575k of revenue funding, that is forecast to be received by the PCC in 2026/27, in the following areas:

- £1,265k to run the Office of the PCC
- £4,795k to support PCC Initiatives and Victims and Witnesses Services
  - Including £1,343k to support the Serious Violence Programmes
  - At least £1,540k to Victims Services
  - £401k to deliver the DRIVE project
  - £481k for the Knife Crime Concentration Fund
- £10,710k for Corporate Services
- £195,690k to the Police Force
- £1,160k to the Capital Programme
- £20k to the General Fund
- This will be supported by £1,065k from Earmarked Reserves

- 2.2 The PCC is asked to note that the 2026/27 budget is based on the approved £15 increase in the level of Band D precept for 2026/27.
- 2.3 The PCC is asked to take cognisance of the Robustness of Estimates and Adequacy of Financial Reserves Report of the PCCs CFO that will be provided to the PCC prior to the formal sign off of the budget.
- 2.4 The PCC is asked to agree that quarterly updates on the 2025/26 budget will be brought to the PCC in 2026/27 to provide updates on performance against the 2026/27 budget.
- 2.5 The PCC is asked to allocate £6,336k of Capital Budgets to the Chief Constable to deliver schemes on behalf of the PCC.
- 2.6 The PCC is asked to approve that additional borrowing of up to £1,577k can be taken out during 2026/27 to support the capital programme.
- 2.7 The PCC is asked to note that actual borrowing is forecast to increase by £5,500k during 2026/27 as agreed borrowing from previous years is expected to be taken out to manage the cash flow needs of the organisation.
- 2.8 The PCC is asked to approve the detailed allocations for Community Safety and Victims and Witnesses Services of £3,472k, as set out in Appendix A. Noting that any items not specifically on this list will be subject to additional approval from the PCC.

### 3. Planning and Funding Assumptions

#### 3.1 Police Funding Settlement 2026/27

3.2 The 2026-27 Final Settlement was announced on 28 January in a written ministerial statement by the Minister of State for Crime, Policing and Fire, Sarah Jones. The Minister said "The priority of the 2026–27 settlement is to boost visible policing and ensure forces can shape their workforce to meet modern crime demands. Every community deserves visible, proactive and accessible neighbourhood policing, with officers focused on the issues that matter most locally".

3.3 Prior to the Final Settlement, a Provisional Settlement was announced on 18 December in a written ministerial statement by the Minister of State for Policing and Crime, Sarah Jones. Unusually, the Provisional Settlement didn't contain any figures beyond precept and core grant. **There was also no consultation period to speak of in relation to the Provisional Settlement which again is very unusual.**

#### 3.4 Headlines from the Final Settlement

3.5 The Minister set out that "Total funding for Territorial Police Forces and Counter Terrorism Policing will be up to £19.6 billion in 2026–27, an increase of £848 million compared with the 2025–26 police funding settlement. This represents a 4.5% increase in cash terms and a 2.2% increase in real terms for policing. Within this, total funding to Territorial Police Forces will be up to £18.4 billion, an increase of £796 million compared with the 2025–26 settlement, representing a 4.5% cash increase and a 2.3% real terms increase for police forces."

3.6 The main headlines from the settlement were as follows:

- Overall funding increased £1.3bn from 2025-26 to £21.0bn in 2026-27 (6.7% cash, 4.4% real terms) but this includes Counter Terrorism funding.
- Funding to Police Forces has increased by £796m from 2025-26 to £18.4bn (equivalent to 4.5% in cash terms and 2.3% in real terms).
- Of the £796m increase - £364m (46%) comes from the assumed £15 Band D precept increase.
- The £432m additional grant funding, includes £50m for Neighbourhood Policing Priorities
- Now just one 'conditional workforce grant' in 2026–27: the Neighbourhood Policing Ringfence, which replaces the Officer Maintenance Grant, totalling £363m in 2026-27.
- Exceptional Financial Support for Lincolnshire and the Met Police, worth £12m and £20m respectively in 2026-27.
- Significant increase in Capital Grant – from £123.1m in 2025-26 to £599.1m in 2026-27
- £119m investment for police reform for 2026-27 to be used for new capabilities including the national centre for AI.

3.7 Full details of the Settlement can be found on the Home Office gov.uk pages.

3.8 Core Funding

3.9 Assuming every PCC takes the full £15 precept (with the caveat that some forces have requested to increase their precept by more than £15), the Government are reporting that the total amount of extra funding available for PCC's is £796m of which £364m (46%) would come from Council Tax – however this is a local decision for each PCC.

3.10 The bulk of the remaining £432m comes from a £645m increase in core funding and £163.5m for the Neighbourhood Policing Grant.

3.11 This is then netted off against the £270m and £107m PUP Ringfenced and Additional Recruitment Top Up grants that have been dropped.

3.12 It is important to recognise that the '£796m extra' does not include the £120m that was provided in 2025/26 for the higher Pay Award. Therefore, there is only £676m of 'extra funding'. This is summarised in the table below:

	2026/27	2025/26	Movement	Movement
	£000s	£000s	£000s	%age
<b>Funding</b>				
Core Grant	10,132	9,487	645	6.8%
<b>Other Government Grants</b>				
Council Tax Freeze Grant	552	552	0	0.0%
Precept Grant	9	9	0	4.7%
Police Pensions Grant	398	398	0	0.0%
National Insurance Grant	230	230	0	0.0%
Police Officer Uplift Grant (Core)	0	270	(270)	-100.0%
Police Officer Uplift Grant (Additional)	0	107	(107)	-100.0%
Neighbourhood Policing Guarantee	364	200	164	81.8%
National City Grant	255	255	0	0.0%
<b>Total Government Grant per Government Analysis</b>	<b>11,940</b>	<b>11,508</b>	<b>432</b>	<b>3.8%</b>
Pay Award Grant	0	120	(120)	-100.0%
<b>Actual Government Grant movements</b>	<b>11,940</b>	<b>11,628</b>	<b>312</b>	<b>2.7%</b>
Funding from Precept	6,422	6,058	364	6.0%
<b>Overall Funding Increase (including Precept)</b>	<b>18,362</b>	<b>17,686</b>	<b>676</b>	<b>3.8%</b>

3.13 When the Pay Award Grant from last year is considered then the overall funding increase from a national perspective is **only 3.8%**, not 4.5% as set out by the Government.

- 3.14 Core Police Officer Uplift/Maintenance Grant
- 3.15 Cleveland received £4,198k in 2025/26 to maintain Police Officer numbers at 1,465 (Headcount).
- 3.16 **This grant has now been removed along with all overall Police Officer number targets.**
- 3.17 Additional Police Officer Uplift Funding
- 3.18 Last year the Ministerial Statement that accompanied the Policing Settlement stated that "We are grateful to those forces who have gone above and beyond in recruiting additional officers to maximise the strength of their workforce. We expect that these forces prioritise maintaining these officer numbers and have provided funding to achieve this".
- 3.19 This policy has not continued into 2026/27 and **the £2,529k extra Grant that Cleveland bid for to fund 48 additional Police Officers is no longer going to be paid as a separate ring-fenced grant.**
- 3.20 Pay Award
- 3.21 During 2025/26 both Police Officers and Police Staff were awarded a 4.2% pay award with effect from the 1<sup>st</sup> September 2025. The additional cost of a 4.2% award (above a 2.8% assumption) is around £205m for 2026/27. There has been no additional funding provided to the Comprehensive Spending Review Totals to reflect this higher pay award.
- 3.22 Pensions Grant
- 3.23 From the 1<sup>st</sup> April 2024 the level of employers Pension Contributions into the Police Officer Pension scheme increased by 4.3% from 31% to 35.3%.
- 3.24 The Force estimate that the cost of this increase to be around £2,835k in 2026/27. The increase in the Pensions Grant to mitigate the impact of the increased employer pension contributions appears to have been frozen again at £2,714k, which is now causing a financial pressure. This pressure will continue to grow if this grant remains frozen.
- 3.25 The total Pensions Grant of £4,038k is supposed to fund an increase in the Employers Pension Contribution Rate that was 21.3% in 2018/19 and is now 35.3%.
- 3.26 The real cost of this 14% increase, to Cleveland, is over £9.2m – a shortfall of over £5m per year, which is being absorbed and/or has been funded by precept increased in previous years.

3.27 Funding for Neighbourhood Policing

3.28 Last year's final funding settlement included a new Neighbourhood Policing Grant, worth £200m in recognition of the Government's priority for police visibility and neighbourhood policing.

3.29 This fund has been used to recruit an additional 31 PCSOs, 20 Police Officers and 12 Specials and was expected to form part of a multi-year programme, spanning the length of the Parliament.

3.30 A further £50m nationally has been added to the £200m funding from last year, for this Government priority, and a further £113m has been 'reallocated' from within the overall funding settlement.

3.31 As part of the Written Ministerial Statement, the minister announced that they have "listened to the concerns" on the Officer Maintenance Grant stating that "as currently designed, has become a barrier rather than an enabler of more visible policing".

3.32 Alongside the removal of the Officer Maintenance Grant, the Home Office is also removing the overall headcount target and replacing it with a Neighbourhood Policing target.

3.33 The government's objective is for 13,000 additional neighbourhood policing personnel by the end of the Parliament. This is expected to include growth of up to 3,000 FTE by March 2026 and a further 1,750 FTE in 2026–27, bringing total neighbourhood policing growth to 4,750 FTE by March 2027.

3.34 Forces can receive their allocation (which for Cleveland is £4,387k) of the Neighbourhood Policing Ringfence Grant if they increase the number of officers and PCSOs working in Neighbourhood policing (including those in training), in line with their locally set target, by March 2027

3.35 Core Funding

3.36 Based on the analysis released by the Government, Core Funding to PCC's has increased by 4.5% in 2026/27, this however assumes that all PCCs increase their Precept by £15, this also assumes that the Tax Base in all areas increase by 0.9%.

3.37 However, after taking into account the Pay Award grant from last year, the real increase is 3.8% as set out in 3.12.

3.38 The Government calculate the increase in Cleveland (including a £15 increase in Precept) would be 3.6%, **the lowest in the country,** versus the 4.5% average.

3.39 **Once the Pay Award Grant from last year is taken into account then Cleveland again receive the lowest increase of only 2.9%.**

3.40 **Where does this leave Cleveland in 2026/27 in terms of Funding?**

- An increase in of Core Police Grant of £8,666k
- An increase in Neighbourhood Policing Grant of £1,988k
  
- A reduction in the National Insurance Grant of £4k
- The removal of the Police Officer Maintenance Grant worth £4,198k.
- The removal of the Additional Police Officer Uplift Grant worth £2,529k
  
- Council Tax Support Grants frozen at £7,668k.

3.41 Based on the approved precept of £332.73 for a Band D property, then the overall impact on the Core funding for the organisation is set to increase by just 3.2%, or just over £6m, as set out in the table below:

Overall Government and Local Revenue Funding				
	2026/27	2025/26	(Increase)/Reduction	Year on Year Change
	£000s	£000s	£000s	%age
<b>Government Funding</b>				
Police Grant	(70,786)	(64,103)	(6,682)	10.4%
RSG/National Non Domestic Rate	(51,290)	(49,307)	(1,983)	4.0%
Council Tax Freeze Grant	(6,868)	(6,868)	0	0.0%
Council Tax Support Grant	(800)	(800)	0	0.0%
Police Pensions Grant	(4,038)	(4,038)	0	0.0%
National Insurance Grant	(2,414)	(2,418)	0	0.0%
Police Officer Uplift Grant (Core)		(4,198)	4,198	-100.0%
Police Officer Uplift Grant (Additional)	0	(2,529)	2,529	-100.0%
2025/26 in-year Pay Award Grant		(1,439)	1,439	-100.0%
Neighbourhood Policing Guarantee	(4,387)	(2,399)	(1,988)	82.9%
<b>Overall Headline Funding Increase</b>	<b>(140,582)</b>	<b>(138,098)</b>	<b>(2,488)</b>	<b>1.8%</b>
<b>Total Government Funding</b>	<b>(140,582)</b>	<b>(138,098)</b>	<b>(2,488)</b>	<b>1.8%</b>
<b>Impact of a £15 increase in Band D Precept - 4.72% increase</b>				
Net (Surplus)/Deficit on Collection Funds	(624)	(576)	(48)	
Council Tax Requirement	(56,200)	(52,668)	(3,532)	6.7%
<b>Total Local Funding</b>	<b>(56,823)</b>	<b>(53,244)</b>	<b>(3,579)</b>	<b>6.7%</b>
<b>Total Government + Local Funding</b>	<b>(197,405)</b>	<b>(191,342)</b>	<b>(6,068)</b>	<b>3.2%</b>

3.42 It is however important to reflect that this increase is higher than the 2.9%, referred to at 3.39, because of higher Council Tax Base growth being delivered across Cleveland.

3.43 How does Cleveland compare to the National Picture?

3.44 As referred to earlier **Cleveland has received the lowest increase in the Country**, it results in **£1,830k less funding per year** than would have been received if Cleveland had received an average increase.

3.45 Had Cleveland received an increase in funding that was the same as Kent (who will receive the highest increase in the Country) then **Cleveland would have received a further £3.5m more funding** for both 2026/27 and beyond.

3.46 Top Slices/Re-allocations

3.47 In 2026-27, reallocations total £1,391.9m, **an increase of £477.4m** over 2025-26 (when reallocations totalled £914.3m).

- A significant portion of that increase comes from 'Capital Funding for Wider Policing System', a new category that has been **allocated £599m**.
- Police Reform, another new category, has **been allocated £99.3m**.
- **Exceptional financial support** has been given to Lincolnshire and the Met at £12m and £20m respectively. There was no further explanation provided in the Minister's statement.

3.48 Further to the above the table below shows all the reallocations and differences between years:

<b>Top Slice/Reallocation</b>	<b>2026/27</b>	<b>2025/26</b>	<b>Movement</b>	<b>Movement</b>
	£m's	£m's	£m's	%age
Special Grant	50	49	1	
PFI	69	71	-1	
Police Technology	405	501	-96	
National Policing Capabilites	43	48	-5	
Regional and Organised Crime Units		38	-38	
Serious Violence	67	50	17	
Drugs/County Lines	28	30	-2	
NPCC Programmes		3	-3	
Capital Reallocations		123	-123	
Police Aviation		2	-2	
Police Reform	99		99	
Exceptional Financial Support	32		32	
Capital Funding for Wider Policing System	599		599	
<b>Totals</b>	<b>1392</b>	<b>914</b>	<b>477</b>	<b>52.2%</b>

3.49 It is worth considered what would have happened to the additional £477.4m had it not been top sliced. Would it have been distributed to PCC's in line with the funding formula?

3.50 **If so, Cleveland would have received an additional £5.6m**

3.51 Government Funding for 2027/28 and beyond

3.52 On 11 June 2025, the Chancellor of the Exchequer, Rachel Reeves MP, announced the outcome of the Spending Review 2025 (SR2025). The Spending Review sets out revenue funding allocations for each Government department over the next three years (2026-27 to 2028-29) with an additional fourth year for capital allocations. The Spending Review is the first multi-year Spending Review since 2021, and the first to happen outside of a pandemic since 2015.

3.53 According to the Spending Review, police spending power will increase by an average of 2.3% per year (2023-24 to 2028-29), in real terms, over the SR period. This funding will be used to support frontline policing levels and help restore public confidence. This reflects the Government's Plan for Change commitment to put an additional 13,000 police officers, PCSOs, and special constables into neighbourhood policing roles over the course of this parliament.

3.54 The funding allocations set out within the Spending Review for Policing were as follows:

- 2026/27 - £19.6bn
- 2027/28 - £20.3bn
- 2028/29 - £20.8bn

3.55 The above figures include the funding that is generated from local precept as well as funding from Government.

- 3.56 If the assumption nationally is that Council Tax bases continue to increase by 0.9% per year, and a precept increase limit of £15 per year is set for a Band D property then Government Funding is forecast to increase by the following:
- 2027/28 – 2.4%
  - 2028/29 – 1.0%
- 3.57 The current plan assumes the above scenarios for planning purposes.
- 3.58 Counter Terrorism
- 3.59 The Minister announced a total of £1.2bn for Counter Terrorism Policing in 2026-27, an increase of £52m from 2025-26. As usual, PCCs will be notified separately of force-level funding allocations for CT policing, which are not made public for security reasons
- 3.60 Ministry of Justice Grants
- 3.61 The PCC has been informed that he will receive £1,540k from the Ministry of Justice in 2026/27 to deliver Victims Services, this is an increase of £30k from last year.
- 3.62 The PCC has also been informed that this funding stream will increase by 2% to £1,571k in 2027/28.
- 3.63 Serious Violence Programmes  
To streamline the grant process and reduce administrative burden, in 2026/27 the funding has been combined into one single, serious violence prevention grant, covering the Violence Reduction Unit (in the existing 20 VRU areas), Serious Violence Duty and Young Futures Panels.
- 3.64 The PCC has had confirmation that this funding will continue in 2026/27 at £1,343k. As with several other specific grants, keeping these at the same 'cash' amount is a real terms reduction given pay awards and inflation
- 3.65 ASB Hotspot Funding
- 3.66 The PCC was awarded £1,420k for Anti-Social Behaviour Patrolling during 2025/26, however the Government have announced that "we will be ending the Hotspot Action Fund (HAF) at the end of this financial year (FY25/26). Building on the hotspot data that has been developed through the HAF investment, we now expect that all business-as-usual patrolling will be smarter, more proactive and data driven. The Neighbourhood Policing Guarantee, and the additional officers being delivered through it, will support this approach"
- 3.67 One of the key targets for the £1.4m funding in 2025/26 **was delivering 13,000 patrol hours** during the year. This will no longer be possible in 2026/27 and beyond after the loss of this funding.

- 3.68 In addition to this, analysis of the hotspots for September 2023 to August 2024 showed a **reduction of 21% in ASB reported incidents** to Cleveland Police in comparison to the same period in the previous year.
- 3.69 Knife Crime Concentrations Fund
- 3.70 The Government have announced that “As we mainstream wider hotspot patrolling, we will increase focus on tackling the worst concentrations of knife crime. We will do this through a Knife Crime Concentrations Fund”
- 3.71 “Over recent months we have been developing and trialling a hyperlocal problem-solving approach in pilots across 11 of the highest knife crime concentrations. The fund will expand this approach, developing targeted and innovative interventions to significantly reduce knife crime in the worst impacted areas. This could include highly targeted hotspot patrolling where this is critical to achieving significant reductions.”
- 3.72 Cleveland have been allocated £481.5k with an indication that the Home Office will follow up with the force areas involved in the coming weeks.
- 3.73 **Precept**  
Just under 30% of the Net Budget Requirement within Cleveland is funded by the local precept and therefore this provides less of a cushion to cuts in government grants, than in most Police Force areas and the ability to generate additional funding locally when Government Funding is constrained.
- 3.74 However, in times where Government Funding is growing at a quicker rate than precept Cleveland will tend to benefit more than most Police Force Areas.
- 3.75 The Localism Act 2011 includes powers to introduce arrangements for council tax referendums. The Police Funding Settlement set out that PCC’s would be able to increase Band D bills by as much as £15 before a referendum is required in 2026/27.
- 3.76 The PCC undertook a public consultation exercise from October to early January, focusing on several themes in relation to police funding:
- How much more would you be willing to pay towards local policing?
  - What specific issue they wanted to see addressed by Cleveland Police and other local agencies

- 3.77 During the specified time period, the public consultation used a range of engagement mechanisms, including an online survey and face-to-face engagement.
- 3.78 A total of 1,223 responses were received during the consultation period, representing a 133% increase on last year's response rate, where 524 responses were received.
- 3.79 This included 149 participants in face-to-face sessions and 1,074 respondents to the online survey.
- 3.80 The level of response varied across the four local policing areas, with equal respondents from the Stockton-on-Tees and Redcar and Cleveland areas, as follows:
- Hartlepool responses – 15.2%
  - Middlesbrough responses – 24.0%
  - Redcar and Cleveland responses - 22.1%
  - Stockton-on-Tees responses – 36.5%
  - 2.2% did not disclose

3.81 Views on Funding

3.82 How much more would you be willing to pay towards local policing?

- 3.83 Respondents were asked how much more they would be willing to pay every month towards their local policing.
- Up to £12 a year more (£1.00 per month), an increase of 3.78%: This would raise £2 million, however, is below the organisations inflationary level and would likely lead to reductions in current levels of service delivery.
  - Up to £14 a year more (£1.17 per month), an increase of 4.41%: This would raise £2.3 million, is broadly in line with inflation levels, and would lead to no reductions in the police service delivered.
  - Up to £18 a year more (£1.50 per month), an increase of 5.67%: This would raise £3 million, is likely to be higher than the organisations inflationary pressures and could allow some investment into policing in Cleveland.

- Up to £24 a year more (£2.00 per month), an increase of 7.55%: This would raise around £4 million, will be much higher than the organisations inflationary pressures, and would allow even further investment into policing in Cleveland

3.84 Across the whole consultation almost **57% of respondents indicated that they would be willing to pay up to an additional £18 per year (or more)** for policing in their area (for a Band D property).

3.85 The above response was broadly replicated across all 4 council areas with support above 50% in each area indicating a willingness to pay up to an additional £18 per year (or more).

3.86 Views on how additional funding should be spent

3.87 Respondents were asked to identify the single most important issue they would like Cleveland Police and/or other local agencies to address. This question was optional. The higher proportion of “Other” responses are influenced by those who engaged with in face-to-face conversations, providing the opportunity for more detailed feedback that did not fit neatly into the predefined categories.

3.88 Across Cleveland, antisocial behaviour emerged as the primary concern, identified by 40.8% of respondents. This theme was broadly consistent across all four local authority areas, with each reporting antisocial behaviour as the top priority.

3.89 The next most frequently selected issue was violent crime, including knife crime, accounting for 15.5% of all responses. This was followed by drug related crime at 11.55%.

3.90 At the opposite end of the scale, online safety was the least selected issue.

3.91 As a result, a £15, or 4.72%, increase in the Band D precept was proposed to the Police and Crime Panel who supported this increase.

3.92 For the purposes of planning, the plan that is set out within this paper assumes that precept increases of £15 per year will be both possible and implemented in future years.

3.93 LTFP Assumptions

3.94 When the 2025/26 budget was set in February 2025 the forecasts were underpinned by the following assumptions:

- Pay Awards:
  - 2025/26 – 2.5% increase
  - 2026/27 and beyond – 2.0% increase
- Precept: Increases of:
  - 2025/26 – £14 or 4.61%
  - 2026/27 and beyond - £12 per year

- Tax Base increases of:
  - 2026/27 and beyond – 1.4% per year
- Government Grants increases of:
  - 2026/27 and beyond – 2.0% per year
- Impact of Funding Formula review – Nil

3.95 Clearly much has changed in the last year and therefore in line with good planning our assumptions remain under review and are updated with the best information available, and it is expected that the LTFP for 2026/27 and beyond will assume the following:

- Pay Awards:
  - 2026/27 – 3.0%
  - 2027/28 – 2.5% increase
  - 2028/29 and beyond – 2.0% increase
- Precept: Increases of:
  - 2026/27 – £15 or 4.72%
  - 2027/28 and beyond - £15 per year
- Tax Base increases of:
  - 2027/28 and beyond – 1.4% per year
- Government Grants increases of:
  - 2027/28 – 2.4%
  - 2028/29 – 1.0%
  - 2029/30 and beyond – 2.0% per year
- Impact of Funding Formula review – Nil

3.96 Based on these revised assumptions, and the information received and forecast around other areas of funding, then the entire funding expected to be available to the PCC for the next 5 years, in comparison to 2025/26, is as follows:

	<b>Actual Budget</b>	<b>Proposed Budget</b>				
	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>
<b>Funding</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Government Grant	(113,410)	(122,076)	(125,006)	(126,256)	(128,781)	(131,356)
Council Tax Precept	(53,244)	(56,823)	(59,994)	(63,465)	(67,022)	(70,515)
Other Core Grants	(14,124)	(14,120)	(14,459)	(14,603)	(14,896)	(15,193)
<b>Funding for Net Budget Requirement</b>	<b>(180,778)</b>	<b>(193,019)</b>	<b>(199,459)</b>	<b>(204,324)</b>	<b>(210,698)</b>	<b>(217,065)</b>
%age Change in Net Budgetary Requirement	7.4%	6.8%	3.3%	2.4%	3.1%	3.0%
Specific Grants	(15,308)	(10,487)	(8,391)	(8,209)	(8,324)	(8,191)
Witness and Victims Funding	(1,510)	(1,540)	(1,571)	(1,602)	(1,634)	(1,667)
Partnership Income/Fees and Charges	(5,174)	(4,924)	(5,020)	(5,110)	(5,129)	(5,292)
<b>Total Core Funding</b>	<b>(202,770)</b>	<b>(209,970)</b>	<b>(214,440)</b>	<b>(219,245)</b>	<b>(225,785)</b>	<b>(232,215)</b>
%age Change in Core Funding	6.9%	3.6%	2.1%	2.2%	3.0%	2.8%
Special Grant		(2,605)	(2,670)	(2,735)		
<b>Total Overall Funding</b>	<b>(202,770)</b>	<b>(212,575)</b>	<b>(217,110)</b>	<b>(221,980)</b>	<b>(225,785)</b>	<b>(232,215)</b>

3.97 Once all funding sources have been factored in then we currently forecast that Total Core Funding will increase by £7.2m, or just 3.6%, in 2026/27.

3.98 And Total Overall Funding will increase by just over £9.8m.

3.99 An increase of 3.6% in Core Funding is the smallest increase in Core funding since 2018/19 when the increase was 2.2%.

3.100 In addition to this the increase in 2026/27 is projected to be the higher than any of the next 4 years, suggesting that the financial position is going to be even more challenging in future years.

#### 4. Expenditure Plans

- 4.1 In setting the budget for 2026-27 the PCC is asked to make decisions on how the overall funding discussed in Section 3 is allocated. The PCC is asked to provide funding/budgets to the areas discussed in the following sections:
- 4.2 Office of the PCC
- 4.3 The PCC is keen to ensure the maximum amount of funding possible is provided to the Force to maintain service delivery as much as possible despite receiving the worst funding settlement in the Country.
- 4.4 Given this the Budget for the OPCC has been frozen in 2026/27 this has resulted in **savings of £85k (6.3%)** being made in this area.
- 4.5 This involves the deletion of a vacant post, lower pension contribution rates, less internal audit days and no longer printing precept leaflets.
- 4.6 All future vacancies will also be subject to review before appointment.
- 4.7 Further details are provided below:

<b><u>PCC Budget</u></b>	<b>2025/26 Budget</b>	<b>Movement to 2026/27 Budget</b>	<b>2026/27 Budget</b>
<u>Category of Spend</u>	<b>£</b>	<b>£</b>	<b>£</b>
Staff Pay and Allowances	955,000	20,000	975,000
Other Pay and Training	10,500	0	10,500
Supplies and Services	389,300	(21,800)	367,500
Transport	7,000	0	7,000
Miscellaneous Income	(96,800)	1,800	(95,000)
<b>Total Budget</b>	<b>1,265,000</b>	<b>0</b>	<b>1,265,000</b>

- 4.8 **Community Safety and Victims and Witnesses Commissioning**  
The role and responsibilities of the PCC is wider than Policing and includes responsibilities around Community Safety, Victims and Witnesses services and Violence Reduction Units.
- 4.9 In recognition of this the PCC will receive the following specific funding in 2026/27:
- Victims Support Services - £1,540k from the MoJ**
- 4.10 The PCC will receive £642k for the 'Core' Formula Based local commissioning of victim's support services. The purpose of this extension of Funding is to provide, or commission dedicated emotional and practical support services for Victims of Crime to help them cope and, as far as possible recover from the effects of crime.
- 4.11 This grant is still lower than 2022/23 when £719k was received.
- 4.12 In addition to the above £898k of funding from the Ministry of Justice (MoJ) has been allocated to the PCC for 2026/27 for the continued local commissioning of Domestic Abuse and Sexual Violence support services via PCCs.
- 4.13 The Grant may be used to support existing victims of domestic abuse and sexual violence or new referrals; this includes adults and children. The Grant may cover any associated costs that arise in the process of commissioning or providing these services.
- 4.14 Both grants have been confirmed for 2027/28 with a 2% inflationary increase.
- 4.15 **Serious Violence Programmes - £1,343k from the Home Office**
- 4.16 The Home Office have written to the PCC stating that "We know that violence prevention, and the vital work of Violence Reduction Units (VRUs) and Serious Violence Duty partnerships, is crucial to achieving our ambition of halving knife crime and making our streets safer."
- 4.17 "This is why I am pleased to confirm the 26/27 Police Settlement included an allocation of £66.6m for Serious Violence Reduction Programmes. This will enable us to provide each area with a rollover of your 25/26 allocation, from which you, and the other Core Members making up the Duty and VRU partnerships, will shortly be able to **apply for.**"
- 4.18 In order to streamline the grant process and reduce administrative burden, in 26/27 the funding has been combined into one single, serious violence prevention grant, covering the VRU (in the existing 20 VRU areas), Serious Violence Duty and Young Futures Panels.

- 4.19 **The DRIVE Project - £401k expected to be provided in 2026/27**
- 4.20 The Drive Project is a multi-agency case management approach for high-risk, high-harm, serial domestic abuse perpetrators. It uses multi-agency engagement to undertake intensive monitoring, disruption tactics and behavioural interventions to prevent perpetrators from reoffending and to keep victims (and their children) safe from harm.
- 4.21 It works in three ways to address the behaviour of perpetrators:
- Behaviour change – one-to-one interventions with the perpetrator.
  - Support interventions – such as addressing substance misuse or mental health.
  - Disruption activity – putting barriers in place to prevent further abuse / working with other agencies to remove a perpetrator from a property they share with the victim.
- 4.22 Perpetrators deemed eligible for the Drive Project will have a dedicated case manager who will work to address their behaviour. Case managers work one-to-one with perpetrators for up to twelve months, to challenge their beliefs and behaviours that contribute towards their abuse. Case managers also work with other services to remove opportunities for abuse. These services can include the police, social services, and charities working in the community.
- 4.23 A dedicated Independent Domestic Violence Advisor (IDVA) supports the victim in parallel, ensuring their safety and needs are prioritised at every stage.
- 4.24 This is in addition to the **£481k for the Knife Crime Concentration Fund** that was referred to earlier in the report for which details on the requirements are still required from the Home Office.
- 4.25 These 4 specific grants total £3,801k and make up most of the expenditure within this area of the budget.
- 4.26 The overall budget allocated to Community Safety and Victims and Witnesses Commissioning is broken down as follows:

	2026/27	2027/28	2028/29	2029/30
<b><u>Community Safety/Victims and Witness</u></b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Community Safety Initiatives	670	682	686	701
Victims and Witnesses Services	2,199	2,218	2,239	2,258
Violence Reduction Programmes	1,343	0	0	0
Knife Crime Concentration Fund	482	0	0	0
DRIVE	436	0	0	0
Planned Cuts/Reductions	(384)	(630)	(635)	(644)
<b>Total Planned Expenditure</b>	<b>4,745</b>	<b>2,270</b>	<b>2,290</b>	<b>2,315</b>

4.27 As set out within the Precept proposal, to balance the budget and provide as much support as possible to the Police Force, reductions in this area totalling £384k will need to be made in 26/27. These reductions are then likely to increase to £630k in 27/28.

4.28 The savings/reductions proposed for 2026/27 are as follows:

<b>Savings and Reductions</b>	<b>2026/27</b>
<b><u>Community Safety/Victims and Witness</u></b>	<b>£000s</b>
Youth Commission	(24)
Domestic Violence Perpetrator Programme	(82)
MFC Kicks to be continued from CURV budget	(24)
Youth Triage	(91)
Divert	(40)
Youth Fund	(36)
Contribution from 2025/26 Commissioning Budget underspends	(85)
Sundry	(2)
<b>Total Savings and Reductions</b>	<b>(384)</b>

4.29 Following these reductions details of all the services, schemes and initiatives included within the budget for 2026/27, excluding Violence Reduction Programmes, are set out in Appendix A.

4.30 Corporate Services

Corporate Services originally included the costs of the PFI contracts, strategic contract management, asset management costs, treasury management and planning.

4.31 As the work and responsibilities of the PCC has expanded this area of the budget now includes the costs for a much wider range of services which includes complaints handling.

4.32 The areas of expenditure incorporated in this area and the forecasts for the life of the plan are included in the table below:

	Actual Budget	Proposed Budget				
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
<b>Corporate Services</b>	£000s	£000s	£000s	£000s	£000s	£000s
Staff Pay	970	880	885	905	925	945
Non Pay Expenditure	85	85	85	85	85	85
PFI Action Stations	6,545	7,070	6,605	6,835	6,990	6,890
PFI Uraly Nook	2,300	925	950	975	1,000	1,025
Asset Management	1,750	1,750	2,000	2,370	2,695	2,800
<b>Total Corporate Costs</b>	<b>11,650</b>	<b>10,710</b>	<b>10,525</b>	<b>11,170</b>	<b>11,695</b>	<b>11,745</b>

- 4.33 The asset management costs were £2,050k in 2019/20, they had reduced to £1,470k in 2024/25, as the organisation proactively managed the loans the organisation had and took the benefit of lower interest rates as appropriate.
- 4.34 The asset management costs are expected to increase by over £1m by the end of the financial plan due to the poor financial settlement requiring the PCC to borrow more money to fund Capital Expenditure on short term assets.
- 4.35 **This approach increases the future risks to the finances** of the organisation if future funding is similarly constrained and does not meet annual cost increases.
- 4.36 The PCC is currently under-borrowed versus it's Capital Financing Requirement, as internal cash balances have been used instead of external borrowing.
- 4.37 As the level of reserves within the organisation reduce, in line with delivery of the Capital programme, then there is less cash available to continue to internally borrow to fund capital, and external borrowing will be needed.
- 4.38 As with the OPCC and Commissioned Services budget savings will also be made from this area of the organisation
- 4.39 In total **savings of £720k (or 6.2%) of this budget area will be delivered in 2026/27** from the following areas:
- £500k from lower costs to run the Tactical Training Centre when the PFI contract ends and responsibilities are taken over by the PCC and then passed to the Force.
  - £100k from lower insurance costs on the remaining PFI contract.
  - £120k savings from the deletion of vacant posts, reduced legal support and lower pension contributions.
- 4.40 Further savings will be difficult to deliver from this area until the final PFI contract comes to an end in 2032/33.

## 5. Police Force

- 5.1 Most of the funding available to the PCC will be provided to the Chief Constable, this provides the budgetary constraints in which the PCC expects the Force to work within, in delivering against the Police and Crime Plan.
- 5.2 The PCC tries to provide a stable financial platform for the Force to work to and within, despite the significant level of unknowns around various areas of future funding. The aim of this approach is to support and enable good strategic planning, decision making and ultimately service delivery by the Force.
- 5.3 Details of the Force's plans are provided on a separate report, which is also on today's agenda however a summary of the finances is included below:

	<b>Actual Budget</b>	<b>Proposed Budget</b>				
	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Police Force Planned Expenditure</b>						
<b>Pay</b>						
Police Pay	101,395	107,075	109,822	112,154	113,899	116,521
Police Overtime	2,656	3,270	3,094	3,146	3,146	3,218
Staff Pay	40,804	45,705	47,269	48,499	47,526	48,619
Police Community Support Officer Pay	4,438	4,590	4,760	4,900	5,040	5,156
<b>Pay Total</b>	<b>149,292</b>	<b>160,640</b>	<b>164,944</b>	<b>168,699</b>	<b>169,611</b>	<b>173,514</b>
<b>Non-Pay Budgets</b>						
Other Pay and Training	1,448	1,570	1,574	1,578	1,580	1,615
Injury and Medical Police Pensions	4,138	4,308	4,393	4,488	4,488	4,587
Premises	4,791	4,530	4,590	4,650	4,711	4,815
Supplies and Services	18,064	17,891	18,292	18,824	19,676	20,109
Transport	2,258	2,169	2,169	2,169	2,169	2,217
External Support	4,459	5,182	5,224	5,271	5,318	5,435
<b>Non-Pay Total</b>	<b>35,158</b>	<b>35,650</b>	<b>36,242</b>	<b>36,981</b>	<b>37,943</b>	<b>38,777</b>
<b>Additional Savings Required</b>		<b>(600)</b>	<b>(606)</b>	<b>(630)</b>	<b>(644)</b>	<b>(657)</b>
<b>Total Planned Force Expenditure</b>	<b>184,450</b>	<b>195,690</b>	<b>200,580</b>	<b>205,050</b>	<b>206,910</b>	<b>211,635</b>
%age Change in Expenditure	4.6%	6.1%	2.5%	2.2%	0.9%	2.3%

- 5.4 The Force have included **£825k of non-pay savings** (2.3% of their non-pay budget) within their proposed budget. Most of this is from procurement and contract savings.
- 5.5 In addition to this savings have been made within the overall pay budgets through **lower Employer Contribution Payments into the Pension Fund of £590k** and holding **more staff vacancies and setting out plans for staff efficiencies of £505k.**
- 5.6 Despite all the savings and reductions across both the PCC budgets and the Force budgets totalling £3,110k, and an increase in support from reserves of £55k, this **still leaves £600k of further reductions necessary to balance the budget.**
- 5.7 Work is on-going by the Force to set out how this gap will be closed, and this be reported on during 2026/27 as part of the budget monitoring process. For context £600k is the equivalent of 10 Police Officer roles.
- 5.8 The plans for all 4 years from the Force are therefore currently £600k plus inflation higher than the overall funding indications provided by the PCC to the Force.
- 5.9 To therefore enable the PCC to set a balanced financial plan for the next 4 years additional savings equivalent to 0.3% of the overall Force budget will need to be delivered, based on the assumptions set out within this report.

## **6. Overall Financial Summary**

- 6.1 The table below shows the current projected position of the overall finances available to the PCC, however this is based on a significant number of assumptions, including that the Force can contain costs and deliver the level of services required within the financial constraints that were outlined above.

	Actual Budget	Proposed Budget				
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
<b>Funding</b>	£000s	£000s	£000s	£000s	£000s	£000s
Government Grant	(113,410)	(122,076)	(125,006)	(126,256)	(128,781)	(131,356)
Council Tax Precept	(53,244)	(56,823)	(59,994)	(63,465)	(67,022)	(70,515)
Other Core Grants	(14,124)	(14,120)	(14,459)	(14,603)	(14,896)	(15,193)
<b>Funding for Net Budget Requirement</b>	<b>(180,778)</b>	<b>(193,019)</b>	<b>(199,459)</b>	<b>(204,324)</b>	<b>(210,698)</b>	<b>(217,065)</b>
%age Change in Net Budgetary Requirement	7.4%	6.8%	3.3%	2.4%	3.1%	3.0%
Specific Grants	(15,308)	(10,487)	(8,391)	(8,209)	(8,324)	(8,191)
Witness and Victims Funding	(1,510)	(1,540)	(1,571)	(1,602)	(1,634)	(1,667)
Partnership Income/Fees and Charges	(5,174)	(4,924)	(5,020)	(5,110)	(5,129)	(5,292)
<b>Total Core Funding</b>	<b>(202,770)</b>	<b>(209,970)</b>	<b>(214,440)</b>	<b>(219,245)</b>	<b>(225,785)</b>	<b>(232,215)</b>
%age Change in Core Funding	6.9%	3.6%	2.1%	2.2%	3.0%	2.8%
Special Grant		(2,605)	(2,670)	(2,735)		
<b>Total Overall Funding</b>	<b>(202,770)</b>	<b>(212,575)</b>	<b>(217,110)</b>	<b>(221,980)</b>	<b>(225,785)</b>	<b>(232,215)</b>
<b>Office of the PCC Planned Expenditure</b>	£000s	£000s	£000s	£000s	£000s	£000s
<b>Total Planned Expenditure</b>	<b>1,265</b>	<b>1,265</b>	<b>1,365</b>	<b>1,400</b>	<b>1,430</b>	<b>1,460</b>
<b>Community Safety/Victims and Witness</b>	£000s	£000s	£000s	£000s	£000s	£000s
Community Safety Initiatives	1,986	478	388	389	397	405
Victims and Witnesses Services	2,126	2,994	1,902	1,921	1,938	1,950
Violence Reduction Unit and Serious Violence Duty	1,143	1,343				
<b>Total Planned Expenditure</b>	<b>5,255</b>	<b>4,815</b>	<b>2,290</b>	<b>2,310</b>	<b>2,335</b>	<b>2,355</b>
<b>Corporate Services</b>	£000s	£000s	£000s	£000s	£000s	£000s
Staff Pay	970	880	885	905	925	945
Non Pay Expenditure	85	85	85	85	85	85
PFI Action Stations	6,545	7,070	6,605	6,835	6,990	6,890
PFI Uralay Nook	2,300	925	950	975	1,000	1,025
Asset Management	1,750	1,750	2,000	2,370	2,695	2,800
<b>Total Corporate Costs</b>	<b>11,650</b>	<b>10,710</b>	<b>10,525</b>	<b>11,170</b>	<b>11,695</b>	<b>11,745</b>
%age Change in Expenditure						
<b>Police Force Planned Expenditure</b>	£000s	£000s	£000s	£000s	£000s	£000s
<b>Pay</b>						
Police Pay	101,395	107,075	109,822	112,154	113,899	116,521
Police Overtime	2,656	3,270	3,094	3,146	3,146	3,218
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Police Community Support Officer Pay	4,438	4,590	4,760	4,900	5,040	5,156
<b>Pay Total</b>	<b>149,292</b>	<b>160,640</b>	<b>164,944</b>	<b>168,699</b>	<b>169,611</b>	<b>173,514</b>
<b>Non-Pay Budgets</b>						
Other Pay and Training	1,448	1,570	1,574	1,578	1,580	1,615
Injury and Medical Police Pensions	4,138	4,308	4,393	4,488	4,488	4,587
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Supplies and Services	18,064	17,891	18,292	18,824	19,676	20,109
Transport	2,258	2,169	2,169	2,169	2,169	2,217
External Support	4,459	5,182	5,224	5,271	5,318	5,435
<b>Non-Pay Total</b>	<b>35,158</b>	<b>35,650</b>	<b>36,242</b>	<b>36,981</b>	<b>37,943</b>	<b>38,777</b>
<b>Additional Savings Required</b>		<b>(600)</b>	<b>(606)</b>	<b>(630)</b>	<b>(644)</b>	<b>(657)</b>
<b>Total Planned Force Expenditure</b>	<b>184,450</b>	<b>195,690</b>	<b>200,580</b>	<b>205,050</b>	<b>206,910</b>	<b>211,635</b>
%age Change in Expenditure	4.6%	6.1%	2.5%	2.2%	0.9%	2.3%
<b>(Surplus)/Deficit</b>	£000s	£000s	£000s	£000s	£000s	£000s
<b>(150)</b>	<b>(95)</b>	<b>(2,350)</b>	<b>(2,050)</b>	<b>(3,415)</b>	<b>(5,020)</b>	
Planned Transfers to/(from) General Fund		20			95	660
Contribution to Capital Programme	860	1,160	1,805	1,870	3,120	3,700
Planned Transfers to/(from) Earmarked Reserves	(710)	(1,085)	545	180	200	660
<b>Net (Surplus)/Deficit After Reserves</b>	<b>0</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>

6.2 From an overall income perspective, the PCC is now expected to receive just over £9.8m more income in 2026/27 than was budgeted to be received in 2025/26.

6.3 In any 'normal' year this would be fantastic news and would enable significant investment and growth of the organisation.

- 6.4 However, this £9.8m increase is significantly short of the additional £13.5m of costs that are set out below and being incurred by the organisation in 2026/27:

<b>Forecast Additional Pay Costs</b>	
	<b>2026/27</b>
	£000s
Impact of 2025/26 Pay Awards @ 4.2%	2,640
Assume 3% Pay Awards from Sept-26	2,820
Insourcing Custody Staffing	320
Addition of Special Grant Funded roles	1,885
Increments and Sundry pay movements	1,710
<b>Total Forecast Additional Pay Costs</b>	<b>9,375</b>
<b>Impact of Inflation, Specific additional income linked to expenditure and pressures on Non-Pay Budgets</b>	
	<b>2026/27</b>
	£000s
Other Pay and Training	122
Injury and Medical Police Pensions	170
Premises	(49)
Supplies and Services	1,702
Transport	(90)
External Support	725
PFI Inflation and Capital Costs	(220)
Other Inflationary Pressures	85
<b>Total Forecast Additional Inflationary Pressures</b>	<b>2,445</b>
<b>Increase in 'Commissioned Services' through additional funding</b>	<b>1,700</b>
<b>Potential Additional Costs</b>	<b>13,520</b>

- 6.5 This has resulted in both significant levels of savings that have been delivered and set out within the financial plans but also significant levels of reductions too.
- 6.6 Based on the plans and assumptions outlined within this report, including that if alternative savings plans cannot be developed then Police Officers will be reduced to fund the remaining £600k saving requirement, some use of reserves, that are discussed later in the report and in more detail in the Robustness of Estimates and Adequacy of Reserves Report, then the organisation can demonstrate a broadly balanced budget for the next 4 years.
- 6.7 The overall financial position is now **even more challenging** than it has been in the recent years and the **stable financial platform** that has underpinned the improved organisational and operational performance that has been seen over the last 3 years, has **certainly reduced** due to some of the measures taken to manage the worst funding settlement in the country.
- 6.8 It is also important to keep in mind that there will be additional challenges to this plan and there are several risks that could impact significantly on the currently

forecasted balanced position for the next 4 years and there are undoubtedly many things that the organisation will have to deal with, that are currently unknown.

- 6.9 Therefore, the constant search for savings and efficiencies will need to continue to provide future flexibility from a financial perspective and service delivery plans altered to fit the financial envelope that the organisation will need to work within.
- 6.10 **It is also likely that savings and efficiencies, as with 2026/27, will not be enough to balance the budget in future years either and therefore further cuts and reductions are likely.**

## **7. Capital Financing and Expenditure**

- 7.1 The assets owned by the PCC are a vital platform for the delivery of the Police and Crime Plan, with the overall purpose of the capital plan to provide sufficient funding to renew the asset base of the organisation, informed by condition deficiency surveys, 'fit for purpose' reviews, equipment replacement programmes, business continuity requirements and invest to save expenditure. Plans have been drawn up and are being developed for capital investment which would aid the organisation in delivering against the Police and Crime Plan.
- 7.2 There are several areas of significant capital investment factored into the £6.3m 2026/27 capital budget.
- ICT - £2.3m
  - Fleet - £1.9m
  - Estates - £1.0m
  - Other Schemes - £1.2m
- 7.3 The overall capital budget for 2026/27 is £2.9m higher than the projection that was provided a year ago, this is broadly a similar position to the previous 2 financial years where the future Capital projections are too low when compared against those that are needed/requested.
- 7.4 This is likely to be the case in future years too, as schemes have been removed from the plans based on current projections of affordability.
- 7.5 If these projections prove to be too low there is currently no capacity within the capital plans/resources to be able to fund additional schemes, which will lead to some difficult decisions being required when the 2027/28 budget is being considered.
- 7.6 The current capital plans now factor in £11m of Capital to be funded from borrowing across 2025/26 to 2028/29, this has increased since last year when the plan was to borrow only in £2.2m across the same period.
- 7.7 This additional borrowing results from 3 things, the challenging settlement meaning less revenue funding can be used to support the Capital Programme, the increased ask from the Force, and the need to borrow to fund the Capital Programme in 2025/26 so that the Capital Reserve can be re-allocated to an Insurance Reserve in line with outcomes from an Actuarial Review on the level of reserves required for insurance purposes.
- 7.8 The level of borrowing that the PCC had peaked in 2019/20 at just over £31m and is expected to be £18m by the end of 2025/26.
- 7.9 It was expected that the level of loans would be £23.5m by the end of 2025/26 however the planned £5.5m loan is now likely to be taken out during 2026/27, with

a £7.5m overdraft put in place to manage cashflow during the period March to July 2026.

7.10 To be able to fund the capital programme and manage the wider financial challenges the level of borrowing is expected to increase by £9m (50%) over the next 3 years to reach £27m by 2028/29.

7.11 **Increases in borrowing of this level are not sustainable** and therefore contributions from Revenue will need to be built up to make the future Capital Programme less dependent on borrowing.

7.12 The PCC will have sufficient funds available to support the capital plans of the Police Force over the current year and the next 4 years provided that resources can continue to be provided to the Capital programme from the revenue budget.

7.13 The current Capital Plans, which will continue to be subject to review, development and refinement over the coming years, are set out below:

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
<b>Capital</b>	£000s	£000s	£000s	£000s	£000s	£000s
<b>Earmarked Reserve/Funding b/f</b>	<b>7,951</b>	<b>3,817</b>	<b>323</b>	<b>144</b>	<b>743</b>	<b>112</b>
Contribution to/from Revenue	0	1,160	1,805	1,870	3,120	3,700
Contribution (to)/from Other Reserves	-2,450					
Capital Receipts (from Vehicle sales)	100	105	105	105	105	105
Capital Receipts (from Property sales)	240					
Borrowing	4,692	1,577	2,514	2,259	309	274
<b>Projected In-year funding Available</b>	<b>2,582</b>	<b>2,842</b>	<b>4,424</b>	<b>4,234</b>	<b>3,534</b>	<b>4,080</b>
Digital Strategy	1,981	2,283	1,689	1,144	896	1,007
Estates Strategy	1,131	997	449	390	309	274
Fleet Replacement Programme	2,438	1,892	2,065	1,869	2,730	1,964
Other Schemes & Equipment Refresh	1,166	1,164	399	233	230	320
<b>Total Capital Programme</b>	<b>6,716</b>	<b>6,336</b>	<b>4,603</b>	<b>3,636</b>	<b>4,165</b>	<b>3,565</b>
<b>Earmarked Capital Reserve/Funding c/f</b>	<b>3,817</b>	<b>323</b>	<b>144</b>	<b>743</b>	<b>112</b>	<b>626</b>

## 8. Reserves

8.1 As at the end of 2024/25 the PCC had Usable Reserves of £19.7m. The reserves held at that point were primarily for the following reasons:

- General Reserves - £5.8m
- Funding for projects within the financial plans - £7.7m
- General contingency and risk Reserves - £2.5m
- Unapplied Capital Grants and Capital receipts - £2.0m

8.2 The PCC has a separate Reserves Strategy, which is in line with the requirements of the Government, which sets out the details of all reserves, what they are held for and how they will be used in the future.

8.3 The expected movements on all reserves held by the PCC will be kept under review in line with the development of the LTFFP, current projections are included within the table below:

	Balance at 31 March 2025 £000	Tranfers In 2025/26 £000	Transfers between Reserves 2025/26 £000	Transfers Out 2025/26 £000	Balance at 31 March 2026 £000	Tranfers In 2026/27 £000	Transfers between Reserves £000	Transfers Out 2026/27 £000	Balance at 31 March 2027 £000	Tranfers In 2027/28 £000	Transfers Out 2027/28 £000	Balance at 31 March 2028 £000	Tranfers In 2028/29 £000	Transfers Out 2028/29 £000	Balance at 31 March 2029 £000	Tranfers In 2029/30 £000	Transfers Out 2029/30 £000	Balance at 31 March 2030 £000	Tranfers In 2030/31 £000	Transfers Out 2030/31 £000	Balance at 31 March 2031 £000
<b>Funding for projects &amp; programmes over the period of the current MTFP</b>																					
Direct Revenue Funding of Capital	(5,919)	0	2,396		(3,523)	(1,160)		4,361	(322)	(1,805)	1,984	(143)	(1,870)	1,272	(741)	(3,120)	3,751	(110)	(3,700)	3,184	(626)
PCC Change Reserve	(129)				(129)				(129)			(129)			(129)			(129)			(129)
Airwaves Project	(248)				(248)				(248)			(248)			(248)			(248)			(248)
Change Reserve	(1,000)				(1,000)		225	265	(510)			(510)			(510)			(510)	(490)		(1,000)
Recruitment Reserve	(251)				(251)				(251)			(251)			(251)			(251)			(251)
Commissioning Reserves	(0)	(185)			(185)			85	(100)			(100)			(100)			(100)			(100)
Road Safety Initiatives Fund	(111)		54		(57)				(57)			(57)			(57)			(57)			(57)
<b>Sub Total</b>	<b>(7,657)</b>	<b>(185)</b>	<b>2,450</b>	<b>0</b>	<b>(5,391)</b>	<b>(1,160)</b>	<b>225</b>	<b>4,711</b>	<b>(1,616)</b>	<b>(1,805)</b>	<b>1,984</b>	<b>(1,437)</b>	<b>(1,870)</b>	<b>1,272</b>	<b>(2,035)</b>	<b>(3,120)</b>	<b>3,751</b>	<b>(1,404)</b>	<b>(4,190)</b>	<b>3,184</b>	<b>(2,410)</b>
<b>Funding for projects &amp; programmes beyond the current MTFP</b>																					
PFI Sinking Fund	(673)	(75)		130	(618)			600	(18)	(150)	15	(153)	(75)	120	(108)	(75)	140	(43)	(170)		(213)
Incentivisation Grant	(858)	150		48	(660)				(660)			(660)			(660)			(660)			(660)
Police Property Act Fund	(199)				(199)				(199)			(199)			(199)			(199)			(199)
<b>Sub Total</b>	<b>(1,730)</b>	<b>75</b>	<b>0</b>	<b>178</b>	<b>(1,477)</b>	<b>0</b>	<b>0</b>	<b>600</b>	<b>(877)</b>	<b>(150)</b>	<b>15</b>	<b>(1,012)</b>	<b>(75)</b>	<b>120</b>	<b>(967)</b>	<b>(75)</b>	<b>140</b>	<b>(902)</b>	<b>(170)</b>	<b>0</b>	<b>(1,072)</b>
<b>General Contingency</b>																					
Insurance Fund	(0)	(150)	(2,450)	150	(2,450)		(225)	(350)	(3,025)			(3,025)	(225)		(3,250)	(265)		(3,515)			(3,515)
Injury Pension Reserve	(446)	85		75	(286)			75	(211)			(211)			(211)			(211)			(211)
Urly Nook TTC	(81)				(81)				(81)			(81)			(81)			(81)			(81)
NEROCU	(192)				(192)				(192)			(192)			(192)			(192)			(192)
Pay, Price and Grant Reserve	(1,620)	89		430	(1,101)			410	(691)	(410)		(1,101)			(1,101)			(1,101)			(1,101)
Major Incident Reserve	(150)			150	0				0			0			0			0			0
<b>Sub Total</b>	<b>(2,488)</b>	<b>24</b>	<b></b>	<b>805</b>	<b>(4,109)</b>	<b>0</b>	<b></b>	<b>135</b>	<b>(4,199)</b>	<b>(410)</b>	<b>0</b>	<b>(4,609)</b>	<b>(225)</b>	<b>0</b>	<b>(4,834)</b>	<b>(265)</b>	<b>0</b>	<b>(5,099)</b>	<b>0</b>	<b>0</b>	<b>(5,099)</b>
<b>Total Earmarked Reserves</b>	<b>(11,875)</b>	<b>(86)</b>	<b></b>	<b>983</b>	<b>(10,977)</b>	<b>(1,160)</b>	<b></b>	<b>5,446</b>	<b>(6,692)</b>	<b>(2,365)</b>	<b>1,999</b>	<b>(7,058)</b>	<b>(2,170)</b>	<b>1,392</b>	<b>(7,836)</b>	<b>(3,460)</b>	<b>3,891</b>	<b>(7,405)</b>	<b>(4,360)</b>	<b>3,184</b>	<b>(8,581)</b>
<b>General Reserves</b>	<b>(5,772)</b>	<b></b>	<b></b>	<b>0</b>	<b>(5,772)</b>	<b></b>	<b></b>	<b>(20)</b>	<b>(5,792)</b>	<b></b>	<b>0</b>	<b>(5,792)</b>	<b></b>	<b>0</b>	<b>(5,792)</b>	<b></b>	<b>(95)</b>	<b>(5,887)</b>	<b></b>	<b>0</b>	<b>(5,887)</b>
<b>Total Usable Reserves</b>	<b>(17,647)</b>	<b></b>	<b></b>	<b></b>	<b>(16,749)</b>	<b></b>	<b></b>	<b></b>	<b>(12,484)</b>	<b></b>	<b></b>	<b>(12,850)</b>	<b></b>	<b></b>	<b>(13,628)</b>	<b></b>	<b></b>	<b>(13,292)</b>	<b></b>	<b></b>	<b>(14,468)</b>
<b>Capital Receipts Reserve</b>	<b>(2,032)</b>	<b>(340)</b>	<b></b>	<b>2,078</b>	<b>(294)</b>	<b>(105)</b>	<b></b>	<b>399</b>	<b>(0)</b>	<b>(105)</b>	<b>105</b>	<b>(0)</b>									
<b>Total Reserves</b>	<b>(19,679)</b>	<b></b>	<b></b>	<b></b>	<b>(17,043)</b>	<b></b>	<b></b>	<b></b>	<b>(12,484)</b>	<b></b>	<b></b>	<b>(12,850)</b>	<b></b>	<b></b>	<b>(13,628)</b>	<b></b>	<b></b>	<b>(13,292)</b>	<b></b>	<b></b>	<b>(14,468)</b>
<b>Movement</b>	<b>3,995</b>	<b></b>	<b></b>	<b></b>	<b>2,635</b>	<b></b>	<b></b>	<b></b>	<b>4,560</b>	<b></b>	<b></b>	<b>(366)</b>	<b></b>	<b></b>	<b>(778)</b>	<b></b>	<b></b>	<b>336</b>	<b></b>	<b></b>	<b>(1,176)</b>

8.4 While the level of Total Reserves as at the end of March 2025 was almost £20m, it is important to recognise that if everything that is factored into the current plans is delivered as forecast then **the level of reserves will reduce by £7.2m (36%) by the end of March 2027.**

8.5 A full review of adequacy of reserves and the robustness of the assumptions within the LTFFP is included within the Robustness of Estimates and Adequacy of Financial Reserves Report and will be provided for the PCC prior to formal sign off of the Budget.

## **9. Risks**

9.1 The major risks and unknowns surrounding the figures presented here are:

- Pay Awards are higher than the assumptions within the plan and these are not funding by the Government.
- Any differences between the future years' actual Government Grant settlements and those estimated within the plan.
- Variations in future years between the estimated tax base used and the actual declared tax base.
- That the public does not support the precept increases that are factored into the current plans
- Increasing costs of the employers Pension Contribution into the Police Pension Fund.
- Sensitivity of assumptions, including inflation and borrowing costs.
- The ability of the Force to manage within its allocated budget.
- The ability and capacity to either absorb growth/cost pressures and/or deliver savings to enable expenditure in essential areas to continue.
- Ability to deliver the savings included within the plans within the timeframes set and to the level needed whilst delivering the required levels of service.

## **10 Conclusions**

- 10.1 The Final Police Settlement for 2026/27 has provided the PCC with the worst funding settlement in the country including funding provided from the Government and the amount that can be raised from the Local Precept.
- 10.2 After reflecting that some of the increase in funding being reported by the Government this year refers to funding that covers last year's pay award, and that both inflation and pay awards are above 3%, then **the funding for Policing in Cleveland has seen a real terms reduction in its funding from a year ago.**
- 10.3 As the funding has failed to keep pace with the level of inflation, and other funding has been removed and reallocated to elsewhere within the country, then it is unfortunately not possible to maintain current levels of service, and difficult choices have been required to balance the budget
- 10.4 The overall financial position is now **even more challenging** than it has been in the recent years and the **stable financial platform** that has underpinned the improved organisational and operational performance that has been seen over the last 3 years, has **certainly reduced** due to some of the measures taken to manage the worst funding settlement in the country.
- 10.5 In addition to the cuts and reductions in service that have been factored into the 2026/27 budget, reserves are forecast to reduce by £7.2m (36%) by March 2027 and borrowing is expected to increase by £9m (50%) by 2028/29.
- 10.6 **It is also likely that savings and efficiencies, as with 2026/27, will not be enough to balance the budget in future years either and therefore further cuts and reductions are likely.**
- 10.7 **While the PCC has a broadly balanced financial plan for consideration and approval it is significantly more challenging than it was a year ago.**

	<b>2026/27</b>
<b><u>Community Safety/Victims and Witness</u></b>	<b><u>£000s</u></b>
Anti Slavery Network	25
Cleveland Divert	144
Youth Offer Fund	45
SARC	163
Restorative Justice Co-ordinator	41
Restorative Justice Services	108
Victims Referral Services	508
Harbour Support Services	393
Tees Safeguarding Adults Board	42
Local Safeguarding Children's Board	131
Crimestoppers Contribution	26
Youth Triage	90
Appropriate Adult Services	70
My Sisters Place	212
Eva Women's Aid	67
Stalking - Suzy Lamplugh Trust	96
Halo	27
A Way Out	30
Barnardos Complex Exploitation Team (CET) Worker	45
ISVA Service	326
Knife Crime Concentration Fund	482
DRIVE project	401
<b>Total Planned Expenditure</b>	<b>3,472</b>