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Report of the PCC for Cleveland to the Police and Crime Panel

3rd February 2026

Status: For decision

The 2026/27 Precept Proposal

1 Purpose

- 1.1 Legislation requires that the PCC agrees his budget and associated precept and basic council tax for the forthcoming year before 1st March each year. However before doing so he must notify this Panel of the precept which he proposes to issue for the following year.

2 Recommendations

- 2.1 The Panel is asked to consider the PCC's proposal to set the Band D Police Element of the Council Tax within Cleveland for 2026/27 at £332.73. This is an increase of £15, or 4.72%, over the 2025/26 level.
- 2.2 The Panel is asked to support this proposal.

3 Reasons

- 3.1 The balance of the cost of the police service not paid for by central government is met by local taxpayers through a precept on their council tax. In Cleveland this will equate to about 27% of the overall income that I will receive in 2026/27. It is the responsibility of the four local billing authorities to collect this.
- 3.2 Legislation requires the precept for 2026/27 to be set before 1st March 2026 and that the first step in enabling this to happen is that the PCC is required to inform this panel of my proposed precept by the 1st February 2026. Which he did by submitting this report prior to that date.

- 3.3 In making my proposal on the Police precept the PCC has taken into account the following:
- The views of the public of Cleveland
 - The financial impact on the people of Cleveland and the current financial environment.
 - The financial needs of the organisation as currently projected both for 2026/27 and in the future.
 - The limits imposed by the Government on a precept increase before a referendum would be triggered in Cleveland.
 - The PCC has discussed the proposals with both the Chief Constable and engaged and consulted with the public on the options available to him.
- 3.4 Police Funding Settlement 2026/27
- 3.5 The 2026-27 Provisional Settlement was announced on 18 December in a written ministerial statement by the Minister of State for Policing and Crime, Sarah Jones.
- 3.6 The Minister said "Total funding for police forces, including Counter-Terrorism Policing, will be up to £19.5 billion in 2026-27, an increase of up to £798 million compared to the 2025-26 police funding settlement. Total funding to territorial police forces will be up to £18.3 billion, an increase of up to £746 million compared to 2025-26. This equates to a 4.2% cash increase and a 2.0% real terms increase for police forces. For Police and Crime Commissioners in England the council tax referendum threshold will be £15 for a Band D property.
- 3.7 Funding for Counter-Terrorism Policing will increase by at least £52 million to £1.2 billion in 2026-27. Police and Crime Commissioners will be notified separately of force-level funding allocations for CT Policing, which will not be made public for security reasons.
- 3.8 We will publish a Police Reform White Paper in early 2026 which will set out a vision to bring policing into the modern age with the technology, innovation and structures they need to ensure policing can focus on the crimes that matter to the public and to drive out waste and inefficiency. As with previous years, a copy of the Police Grant Report (England and Wales) 2026-27 will be laid before the House by my rt hon Friend, the Home Secretary, in the New Year."

3.9 At the time of the Provisional Settlement the above commentary is **all** that had been published for 2026/27 other than a table that set out the overall funding amounts which showed the following:

Police Force Area	2025/26			2026/27			Cash increase £m	% Cash Increase
	Government Grant	Precept	Total	Government Grant	Precept	Total		
	£m	£m	£m	£m	£m	£m		
Kent	276.1	183.7	459.8	287.8	195.6	483.4	23.6	5.1%
Cambridgeshire	116.9	93.0	209.9	122.0	98.5	220.5	10.6	5.0%
Lincolnshire	95.6	78.9	174.5	99.7	83.4	183.0	8.5	4.9%
Leicestershire	167.8	105.1	272.9	174.8	111.3	286.1	13.2	4.9%
Hertfordshire	175.3	124.4	299.7	181.4	132.6	314.0	14.3	4.8%
Wiltshire	93.9	77.6	171.6	97.2	82.5	179.7	8.1	4.7%
South Yorkshire	278.6	100.1	378.7	289.8	106.7	396.5	17.8	4.7%
Essex	257.2	176.9	434.1	265.3	188.8	454.1	19.9	4.6%
Cheshire	171.0	111.9	282.9	176.7	119.0	295.8	12.9	4.6%
Sussex	245.7	177.3	423.0	253.1	189.0	442.1	19.1	4.5%
Surrey	150.5	177.8	328.3	155.7	187.3	343.0	14.8	4.5%
Durham	126.2	52.1	178.3	130.9	55.4	186.3	8.0	4.5%
Metropolitan Police	2,778.7	1,028.4	3,807.1	2,889.9	1,086.4	3,976.3	169.2	4.4%
Nottinghamshire	200.6	101.0	301.6	207.9	107.1	315.0	13.3	4.4%
Suffolk	104.5	79.8	184.3	107.7	84.7	192.5	8.1	4.4%
Derbyshire	161.0	100.5	261.5	166.5	106.6	273.0	11.5	4.4%
Avon & Somerset	262.0	177.6	439.7	270.0	188.4	458.4	18.7	4.3%
Dorset	98.7	96.1	194.8	101.4	101.7	203.1	8.3	4.2%
Dyfed-Powys	77.2	86.4	163.6	80.2	90.3	170.5	6.9	4.2%
West Mercia	180.9	138.0	318.9	186.0	146.4	332.4	13.5	4.2%
Warwickshire	80.2	68.9	149.0	82.4	72.9	155.3	6.3	4.2%
Bedfordshire	102.1	66.2	168.3	105.0	70.3	175.4	7.1	4.2%
Merseyside	371.4	111.3	482.7	384.6	118.3	502.9	20.2	4.2%
Thames Valley	348.5	278.9	627.4	357.3	296.3	653.5	26.1	4.2%
North Yorkshire	114.3	104.0	218.4	117.6	109.9	227.4	9.1	4.2%
Hampshire	292.9	200.7	493.6	300.5	213.6	514.1	20.5	4.1%
Lancashire	286.5	130.9	417.4	295.2	139.2	434.4	17.0	4.1%
North Wales	111.9	114.3	226.2	115.9	119.4	235.3	9.1	4.0%
Northamptonshire	109.9	84.4	194.3	113.0	89.2	202.1	7.8	4.0%
West Midlands	671.5	175.4	846.9	692.1	188.6	880.7	33.7	4.0%
City of London	92.9	-	92.9	96.5	-	96.5	3.7	3.9%
Staffordshire	174.6	106.3	280.9	179.2	112.8	292.0	11.1	3.9%
Devon & Cornwall	271.8	192.2	464.1	278.3	204.1	482.3	18.2	3.9%
Cumbria	96.5	61.5	158.0	99.2	64.9	164.2	6.2	3.9%
Gwent	110.5	86.5	197.0	114.4	90.3	204.7	7.7	3.9%
Northumbria	339.4	82.9	422.2	348.7	90.0	438.7	16.5	3.9%
Humberside	183.7	86.9	270.5	189.0	92.1	281.1	10.5	3.9%
Gloucestershire	89.7	79.6	169.3	91.8	84.0	175.8	6.5	3.9%
West Yorkshire	477.1	182.6	659.6	490.4	194.7	685.1	25.5	3.9%
Norfolk	132.3	106.9	239.2	135.4	112.7	248.1	8.9	3.7%
South Wales	245.8	195.9	441.7	253.3	204.5	457.8	16.1	3.6%
Greater Manchester	649.0	222.2	871.2	666.1	236.6	902.7	31.5	3.6%
Cleveland	136.7	52.7	189.3	140.0	55.6	195.6	6.3	3.3%
Total England & Wales	11,507.8	6,057.6	17,565.4	11,889.9	6,421.6	18,311.5	746.1	4.2%

- 3.10 After this the Home Secretary and the Minister of State for Crime and Policing wrote to the PCC on the 16th January setting out the following additional information.
- 3.11 *'Having considered feedback from forces on the provisional settlement, I have decided to provide an additional £50m which will be used to support the government's neighbourhood policing objectives. This means total police funding to police forces will be up to £18.4bn, an increase of £796m compared to 2025-26, a 4.5% cash increase and a 2.3% real terms increase.'*
- 3.12 *'The priority of the 2026-27 settlement is to boost visible policing and ensure policing can shape their workforce to meet modern crime demands. Every community deserves visible, pro-active and accessible neighbourhood policing with officers tackling the issues that matter to them. To achieve this, the Government made £200 million available to police forces in 2025-26 to kickstart the journey towards delivering 13,000 additional neighbourhood policing personnel by the end of this parliament. As part of the Neighbourhood Policing Guarantee, every neighbourhood now has named and contactable officers dedicated to tackling local issues, with forces increasing patrols in town centres and other hotspots based on local demand.'*
- 3.13 *We have listened to the concerns of policing, and we have decided that, as currently designed, the Officer Maintenance Grant has become a barrier to, rather than an enabler of, more visible policing. A funding mechanism that has in some instances led to forces placing more officers in back-office roles is not helpful and prevents forces from building a workforce with the mix of skills necessary to tackle crime, which relies on the important contribution of specialist police staff. **We will therefore be removing your force's overall officer headcount target and replacing it with a Neighbourhood Policing target in 2026-27.** The government still expects forces to prioritise maintaining overall operational capacity but has listened to feedback on the importance of workforce flexibility.*
- 3.14 *'To simplify the police funding settlement, there will only be one conditional workforce grant in the 2026-27 settlement: the Neighbourhood Policing ringfence grant. To qualify for this grant forces will need to meet their Neighbourhood Policing target.'*
- 3.15 *'The Government is committed to growth of 13,000 in neighbourhood police teams by the end of the Parliament. We expect the national number of neighbourhood officers (including both police officers and PCSOs) to rise by up to 3,000 full-time equivalents (FTE) in England and Wales by the end of March 2026 and an additional 1,750 FTE in 2026-27, bringing the total growth by the end of March 2027 to 4,750 FTE. The Police Funding Formula (PFF) will underpin the distribution of this 1,750 2026-27 growth target between forces.'*

- 3.16 *'We expect forces to prioritise redeploying police officers from back-office functions or areas where warranted officers are not required.'*
- 3.17 *'The Neighbourhood Policing grant for your force will be £4,386,501. Your initial share of expected national growth of 1,750 in Year 2 of the Programme is 21. Final force-level targets will be communicated in due course'*
- 3.18 Core Funding
- 3.19 Assuming every PCC takes the full £15 precept, the total amount of extra funding available for PCC's is £796m of which £363m (46%) would come from Council Tax – however this is a local decision for each PCC.
- 3.20 Of the £796m increase, £205m is needed 'simply' to pay for last years higher than budgeted (and funded) pay award.
- 3.21 This leaves only £591m, or 3.4% (nationally) to fund inflation, pay awards, unavoidable demand increases and all other pressures.
- 3.22 Core Police Officer Uplift/Maintenance Grant
- 3.23 Cleveland received £4,198k in 2025/26 to maintain Police Officer numbers at 1,465 (Headcount).
- 3.24 **This grant has now been removed along with all overall Police Officer number targets.**
- 3.25 Additional Police Officer Uplift Funding
- 3.26 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".
- 3.27 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.**
- 3.28 Pay Award
- 3.29 During 2025/26 both Police Officers and Police Staff were awarded a 4.2% pay award with effect from the 1st 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.

3.30 Pensions Grant

3.31 From the 1st April 2024 the level of employers Pension Contributions into the Police Officer Pension scheme increased by 4.3% from 31% to 35.3%.

3.32 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.

3.33 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%.

3.34 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.

3.35 Funding for Neighbourhood Policing

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

3.37 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.

3.38 A further £50m nationally has been added to the £200m funding from last year, for this Government priority. This would suggest that £2,998k has been allocated to Cleveland, however funding from elsewhere within the funding settlement to Cleveland has been add to this ring-fenced amount, although this is not additional funding, which means that £4,387k will be at risk if Cleveland do not deliver against the targets that are set for delivering additional capacity and resources into Neighbourhood Policing.

3.39 Core Funding

3.40 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%.

3.41 The Government calculate the increase in Cleveland (including a £15 increase in Precept) would be 3.6%.

3.42 **This increase is the lowest in Country, it results in £1,650k less funding per year than would have been received if Cleveland had received an average increase of 4.5%.**

3.43 Had Cleveland received an increase in funding that was the same as Kent (who will receive the highest increase in the Country at 5.4%) then Cleveland would have received **a further £3.4m more funding for both 2026/27** and beyond.

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

- An increase in of Core Police Grant of £8,660k
- An increase in Neighbourhood Policing Grant of £1,988k
- The removal of the Police Officer Maintenance Grant worth £4,198k.
- The removal of the Additional Police Officer Uplift Grant worth £2,529k
- Further grants totalling **£14,124k frozen at the same level at 2025/26**

3.45 Based on the precept being proposed, of £332.73 for a Band D property, then the overall impact on the Core funding for the organisation is set to increase by 3.9%, or just under £7.4m, 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
Government Funding				
Police Grant	(68,998)	(64,103)	(4,895)	7.6%
RSG/National Non Domestic Rate	(53,072)	(49,307)	(3,766)	7.6%
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	(2,418)	(2,418)	0	0.0%
Police Officer Uplift Grant (Core)	0	(4,198)	4,198	-100.0%
Police Officer Uplift Grant (Additional)	0	(2,529)	2,529	-100.0%
Neighbourhood Policing Guarantee	(4,387)	(2,399)	(1,988)	82.9%
Overall Headline Funding Increase	(140,581)	(136,659)	(3,921)	2.9%
Total Government Funding	(140,581)	(136,659)	(3,921)	2.9%
Impact of a £15 increase in Band D Precept - 4.72% increase				
Net (Surplus)/Deficit on Collection Funds	(519)	(576)	57	
Council Tax Requirement	(56,200)	(52,668)	(3,532)	6.7%
Total Local Funding	(56,718)	(53,244)	(3,475)	6.5%
Total Government + Local Funding	(197,299)	(189,903)	(7,396)	3.9%

3.46 It is however important to reflect that this increase is higher than the Government announced (of 3.6%) simply because of higher Council Tax Base growth being delivered across Cleveland.

3.47 Government Funding for 2027/28 and beyond

3.48 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.

3.49 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.

3.50 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

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

3.52 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%

3.53 The current plan assumes the above scenarios for planning purposes.

3.54 Top Slices

3.55 In 2025-26, reallocations (also referred to as 'top slices') totalled £914.3m, no information has been provided for 2026/27 yet.

3.56 Council Tax Legacy Grant

3.57 The Council Tax Legacy Grants relating to Council Tax Freeze grants from 2011-12, 2013-14, 2014-15 and 2015-16 as well as Local Council Tax Support (LCTS) have not been separately identifiable in 2026/27 yet.

3.58 We have assumed that these have again remained flat cash settlements and therefore take no account of any changes for inflation or local need since they were awarded and is another area where additional costs are having to be 'absorbed'.

3.59 Counter Terrorism

3.60 The Minister announced that funding for Counter-Terrorism Policing will increase by at least £52 million to £1.2 billion in 2026-27. Police and Crime Commissioners will be notified separately of force-level funding allocations for CT Policing, which will not be made public for security reasons

3.61 Ministry of Justice Grants

3.62 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.

3.63 The PCC has also been informed that this funding stream will increase by 2% to £1,571k in 2027/28.

3.43 Additional Funding

3.44 Beyond the usual Core Funding and Specific Grant funding, the PCC is currently receiving several areas of funding in 2025/26 that have not yet been confirmed for 2026/27.

3.45 Which funding does this relate to?

3.46 The PCC was allocated the following in 2025/26:

- £1,143k to continue to deliver the Cleveland Unit for the Reduction of Violence (CURV) and deliver against the Serious Violence Duty – this has yet to be confirmed – the financial plans assume this will continue in 2026/27.
- £1,420k to deliver hotspot response patrols in locations identified as high for ASB or serious violence – this funding has yet to be confirmed for 2026/27.
- Up to £2,682k Special Grant from the Home Office to continue the work of the Historical Investigation Unit – the financial plans assume that this funding will continue.

3.47 LTFP Assumptions

3.48 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

3.49 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

4 Local Financial Context

4.1 Income Forecasts

4.2 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 Policing and Crime for the next 4 years, in comparison to 2025/26, is as follows:

	Actual Budget					
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Funding	£000s	£000s	£000s	£000s	£000s	£000s
Government Grant	(113,410)	(122,065)	(124,995)	(126,245)	(128,770)	(131,345)
Council Tax Precept	(53,244)	(56,718)	(59,985)	(63,390)	(66,949)	(70,446)
Other Core Grants	(14,124)	(14,124)	(14,463)	(14,607)	(14,900)	(15,198)
Funding for Net Budget Requirement	(180,778)	(192,908)	(199,443)	(204,242)	(210,618)	(216,989)
%age Change in Net Budgetary Requirement	7.4%	6.7%	3.4%	2.4%	3.1%	3.0%
Specific Grants	(15,308)	(9,782)	(8,431)	(8,253)	(8,372)	(8,242)
Witness and Victims Funding	(1,510)	(1,540)	(1,571)	(1,602)	(1,634)	(1,667)
Partnership Income/Fees and Charges	(5,174)	(4,935)	(4,955)	(5,117)	(5,136)	(5,297)
Total Core Funding	(202,770)	(209,165)	(214,400)	(219,215)	(225,760)	(232,195)
%age Change in Core Funding	6.9%	3.2%	2.5%	2.2%	3.0%	2.9%
Special Grant		(2,605)	(2,670)	(2,735)		
Total Overall Funding	(202,770)	(211,770)	(217,070)	(221,950)	(225,760)	(232,195)

4.3 Once all funding sources have been factored in then we currently forecast that Total Core Funding will increase by just under £6.4m, or just 3.2%, in 2026/27.

4.4 And Total Overall Funding will increase by £9.0m.

4.5 An increase of 3.2% in Core Funding is the smallest increase in Core funding since 2018/19 when the increase was 2.2%. In addition to this the £9.0m increase in Total Funding must cover some significant and unavoidable increases in costs.

4.6 Pay Increases

4.7 There are broadly 5 main drivers of increased pay budgets for 2026/27. These are:

- The impact of the higher than budgeted pay awards from 2025/26.
- A Forecast 3% pay award from the 1st September 2026.
- Police Officer increments, as those Officers recruited through the Uplift programme become more experienced.
- Additional costs of insourcing Custody.
- A change in planning assumption around the Historical Investigation Unit and an assumption that the Government will continue to fund this area.

- 4.8 The above 5 items, along with smaller sundry changes are projected to increase pay costs by almost £9.4m in 2026/27 as set out below:

Forecast Additional Pay Costs	
	2026/27
	<u>£000s</u>
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
Total Forecast Additional Pay Costs	9,375

- 4.9 The **pay assumptions alone are higher than the total increase in funding by £0.4m** that is forecast between 2025/26 and 2026/27
- 4.10 In addition to pay pressures there are a significant number of non-pay budgets that have increased. Some from general inflation, some from higher demand and some from Collaborations.
- 4.11 These total almost £3.2m, as per the table below:

<u>Impact of Inflation, Specific additional income linked to expenditure and pressures on Non-Pay Budgets</u>	
	2026/27
	<u>£000s</u>
Other Pay and Training	290
Injury and Medical Police Pensions	270
Premises	(60)
Supplies and Services	2,085
Transport	(90)
External Support	660
PFI Inflation and Capital Costs	(65)
Other Inflationary Pressures	85
Total Forecast Additional Inflationary Pressures	3,175

- 4.12 Beyond the above there has been an increase of £330k in the Commissioned Services budget relating to changes to funding, with £430k additional funding received for the DRIVE project, offset by the expected loss of Serious Violence Duty funding of £96k.

4.13 Putting together all the budget changes provides the following movements from the budget set in 2025/26 **before** savings, use of reserves and reductions:

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	2026/27
	<u>£000s</u>
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Assume 3% Pay Awards from Sept-26	2,820
Insourcing Custody Staffing	320
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Supplies and Services	2,085
Transport	(90)
External Support	660
PFI Inflation and Capital Costs	(65)
Other Inflationary Pressures	85
Total Forecast Additional Inflationary Pressures	3,175
Increase in 'Commissioned Services' through additional funding	330
Potential Additional Costs	12,880

4.14 Where does this leave us overall financially?

4.15 Given that costs have increased by £12,880k and income by only £9,000k, even after the £15 increase in Band D precept, this left the organisation with savings/efficiencies and reductions of £3,880k to find to balance the budget for 2026/27, as per the summary below:

	2026/27
<u>Forecast Cost Increases</u>	£000s
Forecast Additional Pay Costs	9,375
Forecast Additional Inflationary Pressures	3,175
Increase in 'Commissioned Services' from funding changes	330
Total Forecast Cost Increases	12,880
<u>Income Changes</u>	
Other Income Changes	239
Government Funding Increases	(3,159)
Additional Precept Income (including Tax Base and Collection Fund Chgs)	(3,475)
Assumed Receipt of Special Grant Income	(2,605)
Forecast Total Income Changes	(9,000)
Savings/Reductions Required	3,880

4.16 Savings Plans

4.17 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.

4.18 OPCC Budget

4.19 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.

4.20 This involves the deletion of a vacant post, lower pension contribution rates, less internal audit days and no longer printing precept leaflets.

4.21 All future vacancies will also be subject to review before appointment.

4.22 OPCC Corporate Service Budget

4.23 Corporate Services budgets include the costs of the PFI contracts, strategic contract management, complaints handling, asset management costs and treasury management.

4.24 **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
- £120k savings from the deletion of vacant posts, reduced legal support and lower pension contributions.

4.25 Commissioned Services

4.26 Not including areas that are funded by Specific Grants, such as the Violence reduction Unit and work on the Serious Violence Duty, the PCC set aside £2,912k to fund, deliver and support various services across Cleveland. These include services for Victims of Crime, to improve and support Community Safety, Restorative Justice and many other areas.

4.27 Of these services the PCC will receive ring fenced funding from the Ministry of Justice as follows:

- £624k for local commissioning of victim's support services
- £898k to commission local Domestic Abuse and Serious Violence victim support services

4.28 This therefore leaves around £1,390k of 'un-ringfenced' services.

4.29 To balance the budget and provide as much support as possible to the Police Force, reductions in this area totalling £385k will need to be made in 26/27. These reductions are then likely to increase to £630k in 27/28.

4.30 Further details on these reductions will be proposed for consideration by the PCC as part of the budget setting process in February and subsequently communicated to partners and partner organisations.

4.31 Police Force Savings

4.32 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.

4.33 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.**

- 4.34 Despite all the above savings and reductions totalling £3,110k, and an increase in support from reserves of £170k, this **still leaves £600k of further reductions necessary to balance the budget.**
- 4.35 Work is on-going to set out how this gap will be funded, and this will be set out within the budget that will be approved by the PCC in February. For context £600k is the equivalent of 10 Police Officer roles.

5 Capital Programme

- 5.1 There is a significant programme of investment needed across several areas within the Force. As is usually the case demand continues to be in excess of affordability and the continuation of no Capital Grant funding for PCC's is undoubtedly holding back productivity and efficiency gains.
- 5.2 Across the 5 years of the current Capital Programme, from 2026/27 onwards the Force have set out plans to replace vehicles that will total over £10.5m.
- 5.3 Plans to invest in and maintain the Police Estate is expected to need investment of £2.1m over the next 5 years, while maintaining the IT infrastructure of the Force and ensuring IT equipment is replaced and kept up to date is expected to cost more than £7m across the next 5 years.
- 5.4 Finally, 'Other' schemes including ensuring that Operational Equipment is refreshed has a budget of £2.3m across the 5 years.
- 5.5 The overall Capital programme has been reduced to remain affordable and shows how challenging it is to align the revenue and capital needs of the organisation.
- 5.6 A summary Capital Plan is included at Appendix B.

6 Public Consultation

- 6.1 The Police Reform and Social Responsibility Act states that the Police and Crime Commissioner (PCC) must make arrangements for obtaining the views of the people in that police area, and the relevant ratepayers' representatives, on their proposals for expenditure in that financial year.
- 6.2 The full report on the consultation is included as Appendix D.
- 6.3 Views on Funding
- 6.4 When asked, "How much more would you be willing to pay towards local policing?" respondents were presented with the below options. Participants were able to select just one option indicating how much more they would be willing to contribute each month.
- 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
- 6.5 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).
- 6.6 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).

7 Financial Impact of a £15, or 4.72%, increase

7.1 Tax Base Information and Precept Calculations

The four local Councils have notified the PCC of their tax bases for 2026/27 as set out in the table below:

Tax Base	2026/27	2025/26
	Net Tax Base	Net Tax Base
Hartlepool Borough Council	26,975	26,455
Middlesbrough Borough Council	37,062	36,514
Redcar & Cleveland Borough Council	42,151	41,715
Stockton on Tees Borough Council	62,716	61,079
	168,904	165,763
Annual Increase/(Decrease)	3,142	
Percentage Increase/(Decrease)	1.90%	

- 7.2 The tax base is expressed in terms of Band D equivalent properties. Actual properties are converted to Band D equivalent by allowing for the relevant value of their tax bands as set down in legislation (ranging from 2/3rds for Band A to double for Band H; discounts for single person occupation, vacant properties, people with disabilities etc;) and a percentage is deducted for non-collection. Allowance is also made for anticipated changes in the number of properties.
- 7.3 The tax base calculated by the billing authorities differ from the figures used by the Government (which assumes 100% collection) in calculating Grant Formula entitlements.
- 7.4 As can be seen from the table above the number of Band D equivalent properties across Cleveland has increased by 3,142, which is the **second highest increase in over 20 years.**
- 7.5 The 2026/27 tax base is therefore 168,904.46

7.6 Setting the Council Tax

- 7.7 The precept calculation needs to take account of the net surplus and deficit on the billing authority collection funds. Projected surplus/deficits on the individual funds are shown in the table below:

Collection Funds Surplus/ (Deficit)	
	£
Hartlepool Borough Council	44,560
Middlesbrough Borough Council	286,702
Redcar & Cleveland Borough Council	(36,422)
Stockton on Tees Borough Council	224,027
Net Surplus on Collection Fund	518,867

- 7.8 The deficits/surpluses that have arisen need to be returned/collected through the precept. The final precept to be levied will reflect the position on each council's collection fund.

7.9 **Financial Summary**

7.10 **Net Budget Requirement**

- 7.11 Based on the proposed precept increase of £15, or 4.72%, the Net Budget Requirement (NBR) for 2026/27, in comparison to 2025/26, is set out in the table below:

Funding the Net Budget Requirement	2026/27	2025/26	(Increase)/Reduction	Increase/(Reduction)
	£000s	£000s	£000s	%age
Funding				
Police Grant	(68,998)	(64,103)	(4,895)	
RSG/National Non Domestic Rate	(53,072)	(49,307)	(3,766)	
Total Formula Funding	(122,070)	(113,410)	(8,660)	7.6%
Other Core Grants				
Council Tax Freeze Grant	(6,868)	(6,868)	0	
Council Tax Support Grant	(800)	(800)	0	
Police Pensions Grant	(4,038)	(4,038)	0	
National Insurance Grant	(2,418)	(2,418)	0	
Other Core Grants	(14,124)	(14,124)	0	0.0%
Precept				
Net Surplus on Collection Funds	(519)	(576)	57	
Council Tax Requirement	(56,200)	(52,668)	(3,532)	6.7%
Net Budget Requirement	(192,913)	(180,778)	(12,135)	6.7%

- 7.12 There is an increase in the Funding for Net Budget Requirement available to the PCC of £12,135k based on a £15 increase in precept. This equates to an increase of 6.7%.

- 7.13 It is important to recognise that the Net Budget Requirement does not include several separate grants that have been referred to elsewhere within this report, which have reduced by £4,739k.

7.14 The final precept calculations are set out in the tables below based on a £15 or 4.72% increase:

Proposed Precepts - £15 or 4.72% increase			
	Adjusted Precept	Collection Fund Balance	Council Tax Requirement
	£	£	£
Hartlepool Borough Council	9,019,952	44,560	8,975,392
Middlesbrough Borough Council	12,618,408	286,702	12,331,706
Redcar & Cleveland Borough Council	13,988,533	(36,422)	14,024,955
Stockton on Tees Borough Council	21,091,555	224,027	20,867,528
Total Precept	56,718,448	518,867	56,199,581

7.15 The 'basic amount' of council tax is the rate for a Band D property. It is calculated by dividing the Council Tax Requirement by the total tax base i.e. £56,199,581 by 168,904.46 giving a council tax rate for Band D properties of £332.73.

7.16 The proposed council tax rate for each property band is determined in accordance with the statutory proportions and is set out in the table below, it also shows the increases for each Band in comparison to 2025/26. It is advised that the tax rates should be calculated to more than 2 decimal places.

Council Tax				
	£15 or 4.72% increase			
Property Band	2026/27	2025/26	Increase per Annum	Increase per Week
	£	£	£	£
A	221.82	211.82	10.00	0.19
B	258.79	247.12	11.67	0.22
C	295.76	282.43	13.33	0.26
D	332.73	317.73	15.00	0.29
E	406.67	388.34	18.33	0.35
F	480.61	458.94	21.67	0.42
G	554.55	529.55	25.00	0.48
H	665.46	635.46	30.00	0.58

7.17 As you will see from the table above the impact of the proposal to increase the Police precept by £15 will increase a household council tax bill by 29 pence per week for a Band D property

7.18 Although Band D is set by law as the benchmark for council tax calculations, you will be aware that only a small minority of properties in Cleveland fall into Band D or above. The majority, around 80%, are in Bands A-C, and in such properties, households will pay less than the Band D tax.

7.19 The impact of my proposal to increase the Police precept by £15 for a Band D property will, in most cases, equate to an increase of 19-26p per week in a household council tax bill.

8 Conclusion

8.1 The Provisional Police Settlement for 2026/27 has provided the PCC with worst funding settlement in the country considering funding provided from the Government and the amount that can be raised from the Local Precept.

8.2 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.

8.3 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 will be required to balance the budget.

8.4 These difficult choices come despite the proposal to increase the precept by £15. Any increase below this level would lead to further reductions in service.

8.5 The organisational need for this increase and the resources that they will support, aligned with some significant support from the public for an increase of around £15, is why the PCC formally proposes a Police precept of £332.73 for 2026/27. This is an increase of 4.72% or £15 on a Band D property from 2025/26 and the PCC asks that this panel considers my proposal.

To aid the Panel in considering the proposal on Precept attached to this report are the following:

- Appendix A – Draft Budget based on a £15 or 4.72% Precept Increase
- Appendix B – Draft Capital Budget
- Appendix C – Reserves Forecast
- Appendix D - Precept Consultation Report

	Actual Budget					
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Funding	£000s	£000s	£000s	£000s	£000s	£000s
Government Grant	(113,410)	(122,070)	(125,000)	(126,250)	(128,775)	(131,350)
Council Tax Precept	(53,244)	(56,718)	(59,985)	(63,390)	(66,949)	(70,446)
Other Core Grants	(14,124)	(14,124)	(14,463)	(14,607)	(14,900)	(15,198)
Funding for Net Budget Requirement	(180,778)	(192,913)	(199,448)	(204,247)	(210,623)	(216,994)
%age Change in Net Budgetary Requirement	7.4%	6.7%	3.4%	2.4%	3.1%	3.0%
Specific Grants	(15,308)	(9,782)	(8,431)	(8,253)	(8,372)	(8,242)
Witness and Victims Funding	(1,510)	(1,540)	(1,571)	(1,602)	(1,634)	(1,667)
Partnership Income/Fees and Charges	(5,174)	(4,930)	(4,950)	(5,112)	(5,131)	(5,292)
Total Core Funding	(202,770)	(209,165)	(214,400)	(219,215)	(225,760)	(232,195)
%age Change in Core Funding	6.9%	3.2%	2.5%	2.2%	3.0%	2.9%
Special Grant		(2,605)	(2,670)	(2,735)		
Total Overall Funding	(202,770)	(211,770)	(217,070)	(221,950)	(225,760)	(232,195)
Office of the PCC Planned Expenditure	£000s	£000s	£000s	£000s	£000s	£000s
Total Planned Expenditure	1,265	1,265	1,365	1,400	1,430	1,460
Community Safety/Victims and Witness	£000s	£000s	£000s	£000s	£000s	£000s
Community Safety Initiatives	1,986	672	682	686	701	710
Victims and Witnesses Services	2,126	2,251	1,588	1,604	1,614	1,625
Violence Reduction Unit and Serious Violence Duty	1,143	1,047				
Total Planned Expenditure	5,255	3,970	2,270	2,290	2,315	2,335
Corporate Services	£000s	£000s	£000s	£000s	£000s	£000s
Staff Pay	970	880	885	905	925	945
Non Pay Expenditure	85	85	85	85	90	95
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	1,905	2,000	2,370	2,695	2,800
Total Corporate Costs	11,650	10,865	10,525	11,170	11,700	11,755
Police Force Planned Expenditure	£000s	£000s	£000s	£000s	£000s	£000s
Pay						
Police Pay	101,395	106,954	109,692	112,048	114,357	116,989
Police Overtime	2,656	3,391	3,223	3,270	3,062	3,133
Staff Pay	40,804	45,845	47,419	48,662	47,849	48,949
Police Community Support Officer Pay	4,438	4,475	4,635	4,771	4,926	5,039
Pay Total	149,292	160,665	164,969	168,751	170,194	174,110
Non-Pay Budgets						
Other Pay and Training	1,448	1,738	1,742	1,746	1,748	1,786
Injury and Medical Police Pensions	4,138	4,408	4,493	4,588	4,638	4,740
Premises	4,791	4,519	4,579	4,639	4,700	4,804
Supplies and Services	18,064	17,674	18,075	18,580	18,852	19,267
Transport	2,258	2,169	2,169	2,169	2,169	2,217
External Support	4,459	5,117	5,159	5,206	5,253	5,368
Non-Pay Total	35,158	35,625	36,217	36,929	37,360	38,183
Savings Required		(600)	(616)	(630)	(644)	(658)
Total Planned Force Expenditure	184,450	195,690	200,570	205,050	206,910	211,635
%age Change in Expenditure	4.6%	6.1%	2.5%	2.2%	0.9%	2.3%
(Surplus)/Deficit	£000s	£000s	£000s	£000s	£000s	£000s
(150)	20	(2,340)	(2,040)	(3,405)	(5,010)	
Planned Transfers to/(from) General Fund					100	380
Contribution to Capital Programme	860	1,330	1,530	1,870	3,130	3,700
Planned Transfers to/(from) Earmarked Reserves	(710)	(1,350)	810	170	175	930
Net (Surplus)/Deficit After Reserves	0	0	(0)	0	(0)	0
General Reserves	£000s	£000s	£000s	£000s	£000s	£000s
General Fund Balance b/f	5,772	5,772	5,772	5,772	5,772	5,872
General Fund Movements	0	0	0	0	100	380
General Fund Balance c/f	5,772	5,772	5,772	5,772	5,872	6,252
Employee Numbers	FTEs	FTEs	FTEs	FTEs	FTEs	FTEs
Police Officers	1,521	1,520	1,520	1,520	1,520	1,520
Funded Police Officer Roles	13	14	14	14	14	14
PCSOs	102	102	102	102	102	102
Police Staff - Police Force (before vacancies)	948	985	983	983	952	952
Assumptions						
Pay Awards	2.5%	3.0%	2.5%	2.0%	2.0%	2.0%
Non Pay Inflation	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
RPI	3.5%	3.8%	3.0%	3.0%	3.0%	3.0%
Precept Increases	4.6%	4.7%	4.5%	4.3%	4.1%	4.0%
Core Government Grant Movements	2.8%	2.9%	2.4%	1.0%	2.0%	2.0%

PCC Summary Long Term Capital Plan Position - January 2026

APPENDIX B

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Total Over 5 years from 2026-27
Capital	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Earmarked Reserve/Funding b/f	7,951	3,817	492	38	636	15	
Contribution to/from Revenue	0	1,330	1,530	1,870	3,130	3,700	11,560
Contribution (to)/from Other Reserves	-2,450						
Capital Receipts (from Vehicle sales)	100	105	105	105	105	105	525
Capital Receipts (from Property sales)	240						0
Borrowing	4,692	1,277	2,514	2,259	309	274	6,633
Projected In-year funding Available	2,582	2,712	4,149	4,234	3,544	4,080	18,718
Digital Strategy	1,981	2,283	1,889	944	896	1,007	7,019
Estates Strategy	1,131	697	449	390	309	274	2,119
Fleet Replacement Programme	2,438	2,232	2,065	1,869	2,730	1,624	10,521
UNDERSPENDS TO BE ALLOCATED		-369	-200	200		369	0
Other Schemes & Equipment Refresh	1,166	1,194	399	233	230	290	2,347
Total Capital Programme	6,716	6,037	4,603	3,636	4,165	3,564	22,005
Earmarked Capital Reserve/Funding c/f	3,817	492	38	636	15	531	

Forecast Usable Reserves

APPENDIX C

	Balance at 31 March 2025 £000	Tranfers In 2025/26 £000	Tranfers between Reserves £000	Tranfers Out 2025/26 £000	Balance at 31 March 2026 £000	Tranfers In 2026/27 £000	Tranfers Out 2026/27 £000	Balance at 31 March 2027 £000	Tranfers In 2027/28 £000	Tranfers Out 2027/28 £000	Balance at 31 March 2028 £000	Tranfers In 2028/29 £000	Tranfers Out 2028/29 £000	Balance at 31 March 2029 £000	Tranfers In 2029/30 £000	Tranfers Out 2029/30 £000	Balance at 31 March 2030 £000	Tranfers In 2030/31 £000	Tranfers Out 2030/31 £000	Balance at 31 March 2031 £000
Funding for projects & programmes over the period of the current MTFP																				
Direct Revenue Funding of Capital	(5,919)	0	2,396		(3,523)	(1,330)	4,186	(667)	(1,530)	2,188	(9)	(1,870)	1,077	(802)	(3,130)	3,756	(176)	(3,700)	3,370	(506)
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)		265	(735)			(735)			(735)	(265)		(1,000)			(1,000)
Recruitment Reserve	(251)				(251)			(251)			(251)			(251)			(251)			(251)
Commissioning Reserves	(0)	(127)			(127)			(127)			(127)			(127)			(127)			(127)
Road Safety Initiatives Fund	(111)		54		(57)			(57)			(57)			(57)			(57)			(57)
Sub Total	(7,657)	(127)	2,450	0	(5,333)	(1,330)	4,451	(2,212)	(1,530)	2,188	(1,554)	(1,870)	1,077	(2,347)	(3,395)	3,756	(1,986)	(3,700)	3,370	(2,316)
Funding for projects & programmes beyond the current MTFP																				
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)
Sub Total	(1,730)	75		178	(1,477)	0	600	(877)	(150)	15	(1,012)	(75)	120	(967)	(75)	140	(902)	(170)	0	(1,072)
General Contingency																				
Insurance Fund	(0)	(150)	(2,450)	150	(2,450)			(2,450)	(265)		(2,715)	(265)		(2,980)			(2,980)	(265)		(3,245)
Injury Pension Reserve	(446)	85		75	(286)		75	(211)			(211)			(211)			(211)			(211)
Urlay 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	(500)		(500)
Sub Total	(2,488)	24		805	(4,109)	0	485	(3,624)	(675)	0	(4,299)	(265)	0	(4,564)	0	0	(4,564)	(765)	0	(5,329)
Total Earmarked Reserves	(11,875)	(28)		983	(10,919)	(1,330)	5,536	(6,713)	(2,355)	2,203	(6,865)	(2,210)	1,197	(7,878)	(3,470)	3,896	(7,452)	(4,635)	3,370	(8,717)
General Reserves	(5,772)			0	(5,772)		0	(5,772)		0	(5,772)		0	(5,772)		(100)	(5,872)		0	(5,872)
Total Usable Reserves	(17,647)				(16,691)			(12,485)			(12,637)			(13,650)			(13,324)			(14,589)
Capital Receipts Reserve	(2,032)	(340)		2,078	(294)	(105)	394	(5)	(105)	100	(10)	(105)	100	(15)	(105)	100	(20)	(105)	100	(25)
Total Reserves	(19,679)				(16,985)			(12,490)			(12,647)			(13,665)			(13,344)			(14,614)
Movement	3,995				2,693			4,495			(157)			(1,018)			321			(1,270)

