

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

**19<sup>th</sup> February 2025**

**Status: For Approval**

## **Long Term Financial Plan (LTFP) 2025/26 to 2028/29 and Capital Plans 2025/26 to 2028/29 including Reserves Strategy**

### **1. Executive Summary**

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

This report asks the PCC to agree the Budget proposals for 2025/26 and the Long Term Financial Plan (LTFP) for 2025/26 – 2028/29 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 2025/26 and the indicative allocations for the period 2026/27 to 2028/29.

### **2. Recommendations**

2.1 The PCC is requested to approve the allocation of the £202,770k of revenue funding, that is forecast to be received by the PCC in 2025/26, in the following areas:

- £1,265k to run the Office of the PCC
- £5,255k to support PCC Initiatives and Victims and Witnesses Services
  - Including £1,143k to support the Violence Reduction Unit and Serious Violence Duty
  - And £1,200k for additional investment into Neighbourhood Policing which will be allocated to the Force in line with additional spend in this area.
- £11,650k for Corporate Services
- £184,450k to the Police Force
- £860k to the Capital Programme
- This will be supported by £710k from Earmarked Reserves

- 2.1 The PCC is asked to note that the 2025/26 budget is based on the approved £14 increase in the level of Band D precept for 2025/26.
- 2.2 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.
- 2.3 The PCC is asked to agree that quarterly updates on the 2025/26 budget will be brought to the PCC in 2025/26 to provide updates on performance against the 2025/26 budget.
- 2.4 The PCC is asked to allocate £5,615k of Capital Budgets to the Chief Constable to deliver schemes on behalf of the PCC.
- 2.5 The PCC is asked to approve that additional borrowing of up to £961k can be taken out during 2025/26 to support the capital programme.
- 2.6 The PCC is asked to note that actual borrowing is forecast to increase by £4,740k during 2025/26 as agreed borrowing from previous years is expected to be taken out to manage the cash flow needs of the organisation.
- 2.7 The PCC is asked to approve the detailed allocations for Community Safety and Victims and Witnesses Services of £2,912k, 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 2025/26**

- 3.2 The 2025-26 Provisional Settlement was announced on 17 December in a written ministerial statement by the Minister of State for Crime, Policing and Fire, Dame Diana Johnson
- 3.3 The Minister said "I am pleased to announce that, for 2025-26, funding to police forces will total up to £17.4 billion, an increase of up to £986.9 million when compared to the 2024-25 police funding settlement...a real terms increase in force funding of 3.5%, and a cash increase of 6.0%. The additional funding confirmed through this settlement will cover the costs of the police officer pay awards and fund the recruitment and redeployment of more neighbourhood police and PSCOs. ... The investments announced today are in addition to the provision of one-off funding of £175.0 million we announced in July to support the costs of the 24-25 pay award."
- 3.4 Full details of the Settlement can be found on the Home Office gov.uk pages.

3.5 Background

3.6 This is the first police settlement since the Labour Party took power on 5 July 2024. Prior to the publication of the settlement speeches were given by both the Prime Minister, Keir Starmer and Home Secretary, Yvette Cooper outlining reforms for policing.

3.7 On 5 December, Keir Starmer promised a named police officer for every neighbourhood in England and Wales and reiterated the party's manifesto commitment to recruit 13,000 additional officers, PCSOs and special constables.

3.8 Core Funding

3.9 Assuming every PCC takes the full £14 precept, the total amount of extra funding available for PCC's is £1,087m of which £330m (30%) would come from Council Tax – however this is a local decision for each PCC.

3.10 The bulk of the remaining £757m comes from/is to pay for:

- An increase of £339m core funding, (3.7% increase to all areas)
- £230m compensation for employer NICs contributions, (distributed in headcount)
- £200m to begin recruiting 13,000 new neighbour policing officers.

3.11 Of the £339m increase in core grant, £75m is from the reduction in the Police Uplift Grant. The Home Office said this was to allow greater flexibility.

3.12 There is no funding with the Government settlement to support any inflationary pressures in 2025/26, no funding to support a pay award in 2025/26 and no funding to support any operational pressures/growth.

3.13 Police Uplift Grant (PUP)

3.14 Prior to the publication of today's provisional settlement, it was expected that there would be a continuation of PUP funding for the recruitment of the final officers (towards the 20,000 total). The Ministerial Statement confirms ongoing funding of £270m in 2025-26 as well as a £39.5m increase in the Additional Recruitment Grant (up to £106m in 2025-26).

3.15 This brings the total Officer Maintenance Funding to £376m – a £48m decrease on the total of £424m in 2024-25 (which was made up from £357.8m PUP and £67.2m Additional Recruitment Grant).

3.16 The Ministerial Statement says "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".

3.17 Police forces will still be expected to meet officer number targets in return for funding. However, the Written Ministerial Statement says that the "Home Office has

listened to feedback ... on the need for increased flexibility ... We have therefore rebalanced the funding available in core grant and the ringfence for the purpose of maintaining officers for 2025-26”.

- 3.18 The Police Uplift Grant for Cleveland has decreased by £50k from £6,777k, to £6,727k.
- 3.19 This comes with a requirement for the Force to achieve 1,513 Police Officers (Headcount) in 2025/26, this is 13 higher than the initial 2024/25 target.
- 3.20 There appears to be no reflection in the comparator figures for 2024/25 that Cleveland received a further £624k during 2024/25 to deliver 1,513 Police Officers.
- 3.21 Therefore, the real reduction in the Uplift Grant, to maintain 1,513 Police Officers, is £674k.
- 3.22 Pay Award
- 3.23 During 2024/25 both Police Officers and Police Staff were awarded a 4.75% pay award with effect from the 1st September 2024. The additional cost of a 4.75% award (above a 2.5% assumption) was £455m across Policing, and this has been funded by the Government.
- 3.24 The ministerial statement highlights that £175m of this was given in-year in 2024-25 with a further £280m awarded for 2025/26.
- 3.25 Pensions Grant
- 3.26 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%.
- 3.27 The Force estimate that the cost of this increase to be around £2,750k in 2025/26. The increase in the Pensions Grant to mitigate the impact of the increased employer pension contributions has been frozen at £2,714k, which is now causing a financial pressure. This pressure will continue to grow if this grant remains frozen.
- 3.28 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%.
- 3.29 The real cost of this 14% increase, to Cleveland, is almost £9m – a shortfall of almost £5m per year, which is being absorbed and/or has been funded by precept increased in previous years.
- 3.30 Funding for Neighbourhood Policing
- 3.31 The final settlement includes a new Neighbourhood Policing Grant, worth £200m in recognition of the Government’s priority for police visibility and neighbourhood policing.

- 3.32 This fund is intended to support the recruitment of additional, and redeployed, neighbourhood police officers, PCSOs and Special Constables in 2025-26 and will form part of a multi-year programme, spanning the length of the Parliament.
- 3.33 The funding was allocated on share of Core Grant however the conditions of the Grant are still to be confirmed.
- 3.34 Core Funding
- 3.35 Based on the analysis released by the Government, Core Funding to PCC's has increased by 6.6% in 2025/26, this however assumes that all PCCs increase their Precept by £14, this also assumes that the Tax Base in all areas increase by 0.8%.
- 3.36 The Government calculate the increase in Cleveland (including a £14 increase in Precept) would be 6.3%.
- 3.37 What does this mean for Cleveland in 2025/26 in terms of Funding?
- An increase in of Core Police Grant of £4,065k
  - A decrease in Police Officer Maintenance Grant of £50k.
  - A decrease in the Police Pension Grant of £269k
  - A new Neighbourhood Policing Guarantee Grant of £2,398k
  - A National Insurance increase Grant of £2,418k
- 3.38 Based on the agreed precept, of £317.73 for a Band D property, then the overall impact on the Core funding for the organisation is set to increase by 5.9%, or just over £10.5m, as set out in the table below.

Overall Government and Local Revenue Funding				
	2025/26	2024/25	(Increase)/Reduction	Year on Year Change
	£000s	£000s	£000s	%age
<b>Government Funding</b>				
Police Grant	(64,103)	(61,800)	(2,303)	3.7%
RSG/National Non Domestic Rate	(49,307)	(47,545)	(1,762)	3.7%
Police Officer Uplift Grant	(6,727)	(6,777)	51	-0.7%
Neighbourhood Policing Guarantee	(2,399)	0	(2,399)	
National Insurance Grant	(2,418)	0	(2,418)	
Council Tax Freeze Grant	(800)	(800)	0	0.0%
Council Tax Support Grant	(6,868)	(6,868)	0	0.0%
Police Pensions Grant	(4,038)	(4,307)	269	-6.3%
<b>Total Government Funding</b>	<b>(136,659)</b>	<b>(128,098)</b>	<b>(8,562)</b>	<b>6.7%</b>
<b>Impact of a £14 increase in Band D Precept - 4.61% increase</b>				
Net (Surplus)/Deficit on Collection Funds	(576)	(1,869)	1,293	
Council Tax Requirement	(52,668)	(49,415)	(3,253)	6.6%
<b>Total Local Funding</b>	<b>(53,244)</b>	<b>(51,284)</b>	<b>(1,960)</b>	<b>3.8%</b>
<b>Total Government + Local Funding</b>	<b>(189,903)</b>	<b>(179,381)</b>	<b>(10,522)</b>	<b>5.9%</b>

- 3.39 It is however important to reflect that this increase is lower than it would have been but for the comparator for 2024/25 including a significant surplus on the Council Tax Collection Funds within both Middlesbrough Council and Stockton Council.

- 3.40 Excluding the movement on the Collection Funds then the percentage increase would have been around 6.7%.
- 3.41 How does Cleveland compare to the National Picture?
- 3.42 If each PCC increased their precept by £14, combined with tax base assumptions, there will be an additional £330m of resources for policing from council tax alone.
- 3.43 Due to historic differences in council tax the proportion that £14 represents can vary significantly between force areas. The £14 increase means that Northumbria's percentage increase is 7.7%, followed by the West Midlands at 6.5% whereas, £14 represents a 4.3% increase for Surrey.
- 3.44 If every PCC takes the £14 precept, the weighted average band D police precept in England and Wales would be £292.86.
- 3.45 The proportion of funding raised through council tax differs significantly between force area. Northumbria's Council Tax makes up 19.4% of their total funding, followed by West Midlands at 20.5% and Merseyside at 22.8%.
- 3.46 Conversely, Surrey has 54% of their funding coming from Council tax. On average, 34.2% of budgets are made up from Council tax, which is in line with last year.
- 3.47 Government Funding for 2026/27 and beyond
- 3.48 The Chancellor has launched a multi-year Spending Review which will set spending plans for a minimum of three years of the five-year forecast period.
- 3.49 The Spending Review will conclude in spring 2025. Departmental expenditure limits for 2025-26 will be set alongside the Budget in October, to provide departments with necessary certainty.
- 3.50 This Spending Review will "take a mission-led, reform-driven and tech-enabled approach to improving public services."
- 3.51 Until the details of this Spending Review are announced then the current financial plan has therefore assumed that Government Funding will continue to increase by CPI and that this will be 2%.
- 3.52 The current plan also assumes that PCC's will continue to be provided with precept limits set via a monetary, instead of a percentage, increase and that increases of at least £12 per year will be possible.
- 3.53 Top Slices

- 3.54 In 2025-26, reallocations (also referred to as 'top slices') total £914.3m, a £123.8m reduction over 2024-25 (when reallocations totalled £1,038.1m). However, six previous top-slices are now being funded from within the Home Office's wider budget. Funding arrangements to be confirmed in due course.
- Arm's Length Bodies (was £65.7m).
  - Forensics (£13m in 2024-25).
  - Fraud (£18.1m in 2024-25).
  - Cyber Crime (£13.1m in 2024-25).
  - Tackling Exploitation and Abuse (£17.6m).
  - Police Productivity and Innovation (worth £11m in 2024-25).
- 3.55 Funding remains, but has been reduced, for PFI, National Policing Capabilities, NPCC Programmes and Capital.
- 3.56 There are increases of £15m for Special Grant, £6.6m for ROCU and £4.1m for Serious Violence and a new top-slice of £1.5m for Police Aviation (previously NPAS).
- 3.57 Council Tax Legacy Grant
- 3.58 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) funding remains separately identifiable in 2024-25. 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 a total of £1,160.3m for Counter Terrorism Policing, a £143m increase (14%) on the £1,017.5m for 2024-25. PCCs 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 expects to receive £1,510k from the Ministry of Justice in 2025/26 to deliver Victims Services, this is a reduction of £50k from last year.
- 3.63 Violence Reduction Unit and Serious Violence Duty
- The PCC has had confirmation that the Violence Reduction Unit funding of £1,047k will continue in 2025/26. As with several other specific grants, keeping these at the same 'cash' amount is a real terms reduction given pay awards and inflation.
- 3.64 In addition to this the Serious Violence Duty funding of £96k has also been confirmed for 2025/26 at the same cash level.
- 3.65 Additional Funding – assumed with the financial plans but not yet confirmed.
- 3.66 GRIP funding of £470k has been assumed to continue. This funding provides a combination of both regular visible patrols in the streets and neighbourhoods ('hotspot areas') experiencing the highest volumes of serious violence to suppress

violence and provide community reassurance, as well as delivering problem-oriented policing.

- 3.67 ADDER funding of £250k has been assumed to continue. This funding is to carry out major, long-term disruption to high harm criminals and networks involved in the supply of drugs and firearms.

3.68 **Precept**

Just over 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.

- 3.69 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.

- 3.70 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 £14 before a referendum is required in 2025/26.

- 3.71 The PCC undertook a public consultation exercise across November, December and January, focusing on several themes in relation to police funding:

- How much additional funding people would be prepared to pay towards their police precept.
- How they would like an increased investment in policing used

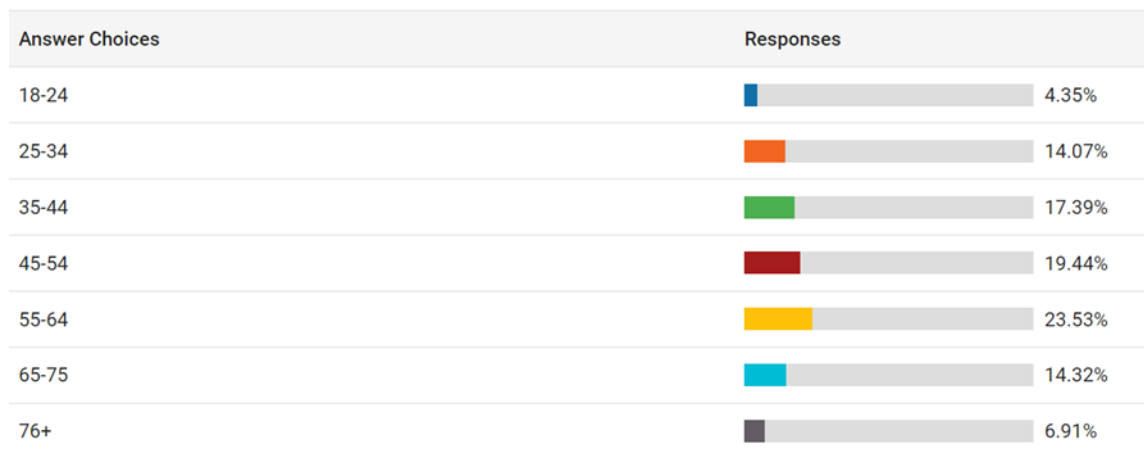
- 3.72 The consultation included an online survey, which was open from which was promoted through several channels.

- 3.73 OPCC staff also held several face-to-face engagement stalls in community locations using a counter-based methodology where members of the public could place a counter to indicate what, if any, level of increased precept they would be willing to support.

- 3.74 In total 524 people participated in the consultation. The OPCC team engaged with 156 people in face-to-face engagements, with 368 people completing the online and printed surveys.



- 3.75 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 – 19.5%
  - Middlesbrough responses – 24.2%
  - Redcar and Cleveland responses - 28.1%
  - Stockton-on-Tees responses – 28.2%
- 3.76 The online and paper surveys collected additional demographics around disability, age, and race. It was optional for respondents to answer these equality questions.
- 3.77 Of those who completed the online and paper surveys 21.50% of participants considered themselves to have a disability.
- 3.78 The largest age group among respondents was 55-64 (23.33%), with the lowest number of responses from the 18-24 age group (4.36%).
- 3.79 A full age breakdown is shown below:



- 3.80 The majority of respondents (92.17%) identified as White British. There were a very small number of responses from people who identified as Asian, Black, Mixed Heritage or Other Ethnic Groups, but the majority of respondents who did not identify as White British chose not to disclose their race.
- 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 3.95%: 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 4.61%: 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 5.93%: This would raise £2.9 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 7.90%: This would raise around £3.9 million, will be much higher than the organisations inflationary pressures, and would allow even further investment into policing in Cleveland.

3.84 The following options are based on an average Band D property currently paying £303.73 each year for policing.

3.85 Across the whole consultation, covering both the surveys and the counter exercise, **55% of respondents indicated that they would be willing to pay at least £14 per year more** for policing in their area (for a Band D property).

3.86 45% of respondents selected the lowest level increase of £12 per year – or £1 extra per month.

	£1	£1.17	£1.50	£2
Face-to-face	59.6%	2.6%	7.1%	30.8%
Survey	38.9%	17.9%	13.0%	30.2%
Cleveland	45.0%	13.4%	11.3%	30.3%

3.87 Comparing results between the different Local Policing Areas provided the following breakdown:

Combined responses	£1	£1.17	£1.50	£2
Hartlepool	61.8%	8.8%	7.8%	21.6%
Middlesbrough	36.2%	20.5%	18.9%	24.4%
Redcar	40.8%	4.1%	7.5%	47.6%
Stockton	45.3%	19.6%	10.8%	24.3%
Cleveland	45.0%	13.4%	11.3%	30.3%

- 3.88 Views on how additional funding should be spent.
- 3.89 Residents were asked about the most important primary one issue they would like to see Cleveland Police or/and other local agencies address.
- 3.90 With 27.6% of the overall vote, antisocial behaviour was clearly identified as the key concern affecting residents in Cleveland – a largely consistent result across each of Cleveland’s local authority areas.
- 3.91 The next most common response was other, which accounted for 25.0% of all responses and then followed by drug-related crime (16.8%).

Concern	All responses	Hartlepool	Middlesbrough	Redcar and Cleveland	Stockton
Violence	7.4%	7.3%	8.7%	3.4%	10.7%
Antisocial behaviour	27.6%	20.3%	32.6%	28.0%	28.3%
Drug-related crime	16.8%	19.5%	19.6%	13.7%	15.7%
Road-related crime)	4.4%	5.7%	4.3%	4.6%	3.1%
Residential burglary	3.5%	3.3%	3.6%	1.7%	5.7%
Shoplifting	3.9%	1.6%	5.8%	3.4%	4.4%
Better support for victims of crime	3.0%	4.1%	5.1%	0.6%	3.1%
Domestic abuse	3.4%	0.8%	5.1%	3.4%	3.8%
Sexual abuse	1.8%	0.8%	3.6%	0.6%	2.5%
Vehicle theft/damage	2.4%	0.8%	2.2%	3.4%	2.5%
Hate crime	0.8%	0.8%	2.2%	0.0%	0.6%
Other	25.0%	35.0%	7.2%	37.1%	19.5%

- 3.92 Some residents felt that there were other issues not offered as an option that wanted to be addressed by police officers. These were collected and are shown in the table below:

Hartlepool	Middlesbrough	Redcar and Cleveland	Stockton
<p>All options (respondent could not select just one)</p> <p>I don't want to pay more</p> <p>Online safety for young people</p> <p>Corruption in the police</p> <p>More police visibility and foot patrols</p>	<p>You never see police patrols</p> <p>Better welfare for police officers/ staff and volunteers.</p> <p>All options (respondent could not select just one)</p>	<p>All options (respondent could not select just one)</p> <p>More police visibility and return to opening all of the local police stations</p> <p>Tougher and longer sentencing is required.</p> <p>I don't want to pay more</p> <p>All crimes relate to drug-related crimes</p> <p>Vandalism</p>	<p>All options (respondent could not select just one)</p> <p>Corruption in the police</p> <p>More police presence</p> <p>The police should decide where the funds should be allocated.</p> <p>I don't want to pay more</p> <p>Fraud</p> <p>Improve safety for women and girls</p>

- 3.93 Combined results (online and in-person) from the consultation show the majority (55%) support an increase of at least £14 per year.
- 3.94 As a result, a £1, or 4.61%, increase in the Band D precept was proposed to the Police and Crime Panel who supported this increase.
- 3.95 For the purposes of planning, the plan that is set out within this paper assumes that precept increases of £12 per year will be both possible and implemented in future years.
- 3.96 LTFP Assumptions
- 3.97 When the 2024/25 budget was set in February 2024 the forecasts were underpinned by the following assumptions:
- Pay Awards:
    - 2024/25 – 2.5% increase
    - 2025/26 and beyond – 2.0% increase
  - Precept: Increases of:

- 2024/25 – £13 or 4.47%
- 2025/26 and beyond - £12 per year
- Tax Base increases of:
  - 2025/26 and beyond – 1.3% per year
- Government Grants increases of:
  - 2025/26 and beyond – 2.0% per year 2024/25 – 1.7%
- Impact of Funding Formula review – Nil

3.98 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 2025/26 and beyond will assume the following:

- 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

3.99 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 4 years, in comparison to 2024/25, is as follows:

	<b>Actual Budget</b>				
	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
<b>Funding</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Government Grant	(109,345)	(113,410)	(115,678)	(117,992)	(120,352)
Council Tax Precept	(51,284)	(53,244)	(55,780)	(58,607)	(61,501)
Council Tax Freeze Grant	(800)	(800)	(800)	(800)	(800)
Council Tax Support Grant	(6,868)	(6,868)	(6,868)	(6,868)	(6,868)
<b>Funding for Net Budget Requirement</b>	<b>(168,297)</b>	<b>(174,322)</b>	<b>(179,127)</b>	<b>(184,267)</b>	<b>(189,520)</b>
%age Change in Net Budgetary Requirement	7.0%	3.6%	2.8%	2.9%	2.9%
Specific Grants	(19,489)	(21,763)	(20,398)	(20,900)	(21,182)
Witness and Victims Funding	(1,560)	(1,510)	(1,510)	(1,510)	(1,510)
Partnership Income/Fees and Charges	(5,475)	(5,174)	(5,096)	(5,003)	(5,013)
<b>Total Core Funding</b>	<b>(194,820)</b>	<b>(202,770)</b>	<b>(206,130)</b>	<b>(211,680)</b>	<b>(217,225)</b>
%age Change in Core Funding	11.5%	4.1%	1.7%	2.7%	2.6%
Special Grant	(1,830)				
<b>Total Overall Funding</b>	<b>(196,650)</b>	<b>(202,770)</b>	<b>(206,130)</b>	<b>(211,680)</b>	<b>(217,225)</b>

3.100 2025/26 is the 7<sup>th</sup> year of investment back into Policing. **The level of funding available within Cleveland, at a Net Budget Requirement level, available to the PCC has increased by £48.6m (or 39%) in the past 7 years.**

3.101 The position is even better in terms of the **Total Core funding level, with increases of £68m (or nearly 51%) across the same 7-year period.**

3.102 While funding has continued to increase in 2025/26 this does not have the same impact as previous years as the increases for 2025/26 are being more than absorbed by increases in Pay, National Insurance, and inflation.

## **4. Expenditure Plans**

- 4.1 In setting the budget for 2025-26 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 In overall terms a larger than usual increase in the overall budget is required to absorb higher pay, national insurance contribution percentages and higher contributory rates into the Pension Fund, of £57.5k in total.
- 4.4 In addition to the increases in pay costs there are also increases in non-pay costs of £72.5k.
- 4.5 Most (£59k) of the non-pay increases relate to increases across internal and external audit fees/work and increases in contributions to national associations and subscriptions.
- 4.6 Further details are provided below:

	<b>2024/25 Budget</b>	<b>Movement to 2025/26 Budget</b>	<b>2025/26 Budget</b>
<b><u>PCC Budget</u></b>			
<u>Category of Spend</u>	<b>£</b>	<b>£</b>	<b>£</b>
Staff Pay and Allowances	897,500	57,500	955,000
Other Pay and Training	7,000	3,500	10,500
Supplies and Services	315,800	73,500	389,300
Transport	6,000	1,000	7,000
Miscellaneous Income	(91,300)	(5,500)	(96,800)
<b>Total Budget</b>	<b>1,135,000</b>	<b>130,000</b>	<b>1,265,000</b>

- 4.7 Community Safety and Victims and Witnesses Commissioning  
The role and responsibilities of the PCC is wider than Policing, and continue to evolve, this has been acknowledged with the addition of responsibilities around Community Safety, Victims and Witnesses services and Violence Reduction Units.
- 4.8 The PCC will receive £629k as a 12-month extension of funding 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.
- 4.9 This grant has been steadily reducing since 2022/23 when £719k was received.
- 4.10 As with last year a further £880k of funding from the Ministry of Justice (MoJ) has been allocated to the PCC for 2025/26. As with the Core MoJ Grant this is only a 12-month extension of funding for the local commissioning of Domestic Abuse and Sexual Violence support services via PCCs.

- 4.11 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.
- 4.12 Further details of all the service/schemes and initiatives Community Safety Initiatives and Victims and Witness Services for 2025/26 are set out in Appendix A.
- 4.13 Cleveland Unit for Reduction of Violence (CURV) and Serious Violence Duty
- 4.14 During 2022/23 the Home Office confirmed that the PCC would receive a budget of £3.5m over three years to establish a team to develop long-term strategies to prevent serious violence.
- 4.15 The PCC has received confirmation that this funding will be continued in 2025/26, at the same level as 2024/25, with funding of £1,047k.
- 4.16 Approval of the specific areas of spend for CURV will be agreed through the CURV governance board.
- 4.17 In addition to this the PCC has been provided with confirmation that a similar approach has been taken to funding for 2025/26 in relation to 'The Serious Violence Duty' which places a duty on police, justice, fire and rescue, health, and local authorities to work together to prevent and reduce serious violence.
- 4.18 Funding at the same level as 2024/25, of £96k, has been confirmed for 2025/26, this funding is to assist the above authorities with delivering the Serious Violence Duty, including by assisting relevant authorities, and the OPCC itself, with costs incurred because of their associated functions relating to the Serious Violence Duty.
- 4.19 Neighbourhood Policing Commitment
- 4.20 The Government recently wrote to the PCC setting out funding details for 2025/26 and confirmed that '*We are committed to delivering our Neighbourhood Policing Guarantee. This includes putting 13,000 more police officers, PCSOs and special constables in neighbourhood policing roles to ensure policing visibility in every community and deter, prevent and respond to crime.*'
- 4.21 The provisional police funding settlement set out that £100 million would be made available in 2025-26 to support the first steps of delivering 13,000 more neighbourhood police. The initial draft budget and precept proposals set out for the Police and Crime Panel included £1.2m of Grant Funding allocated from this £100m for Cleveland.
- 4.22 The budget for 2025/26 balanced at this point and the funding has been made available to the Force. The Force will need to deliver the 102 PCSOs that are included within their 2025/26 budget as quickly as possible in 2025/26 to ensure that the



resources that they need are in place as quickly as possible and also so that maximum use of the funding is achieved.

- 4.23 In the Final Settlement the Government stated that they had '*carefully considered the scale of investment required to meet our commitment and taken difficult decisions to prioritise the funding available to forces. Therefore, I am making available an additional £100 million to recognise and support the vital contribution of neighbourhood policing.*'
- 4.24 The PCC will receive £1.2m from this additional £100m, subject to meeting the terms of the funding/grant agreement.
- 4.25 This £1.2m has been added to this area of the PCC's budget and will be released to the Force, in line with delivery of growth against the previous resource plans of the Force, and in line with the terms of the Grant agreement.
- 4.26 The overall budget allocated to Community Safety and Victims and Witnesses Commissioning is broken down as follows:

	2024/25	2025/26	2026/27	2027/28	2028/29
<b><u>Community Safety/Victims and Witness</u></b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Community Safety Initiatives	1,321	786	794	808	841
Victims and Witnesses Services	2,162	2,126	2,121	2,142	2,174
Violence Reduction Unit and Serious Violence Duty	1,143	1,143	0	0	0
Immediate Justice	1,000	0	0	0	0
Anti Social Behaviour	1,000	0	0	0	0
Neighbourhood Policing Guarantee	0	1,200	1,225	1,250	1,275
<b>Total Planned Expenditure</b>	<b>6,625</b>	<b>5,255</b>	<b>4,140</b>	<b>4,200</b>	<b>4,290</b>

- 4.27 Corporate Services  
Corporate Services originally included the costs of the PFI contracts, strategic contract management, asset management costs, treasury management and planning.
- 4.28 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.
- 4.29 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				
	2024/25	2025/26	2026/27	2027/28	2028/29
<b>Corporate Services</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Staff Pay	845	970	990	940	960
Non Pay Expenditure	85	85	85	80	80
PFI Action Stations	6,280	6,545	6,940	6,675	6,815
PFI Urlay Nook	2,240	2,300	925	950	975
Asset Management	1,470	1,750	1,750	1,750	1,750
<b>Total Corporate Costs</b>	<b>10,920</b>	<b>11,650</b>	<b>10,690</b>	<b>10,395</b>	<b>10,580</b>

- 4.30 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.
- 4.31 The costs in this area are expected to increase in 2025/26, as a result of needing to borrow money to manage the cash flow of the organisation. The PCC is currently under-borrowed versus it's Capital Financing Requirement, as internal cash balances have been used instead of external borrowing.
- 4.32 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.
- 4.33 Further savings will be difficult to deliver from this area until the PFI contracts come to an end. The PFI scheme at Urlay Nook is due to end next year.
- 4.34 Both PFI schemes have contractual terms that mean a significant proportion of the contract price increases each year in line with the Retail Price Index. As a result, the costs of the PFIs are expected to increase by £170k in 2025/26, with a further £130k spent on cyclical lifecycle and maintenance costs for additions to the PFI that were made in the early years of the contract.
- 4.35 An Earmarked Reserve is in place to fund this £130k which has will be released as part of the 2025/26 budget.

## 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:

	Actual Budget	Proposed Budget			
	2024/25	2025/26	2026/27	2027/28	2028/29
<b><u>Police Force Planned Expenditure</u></b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
<b><u>Pay</u></b>					
Police Pay	96,837	101,395	103,972	106,535	110,076
Police Overtime	2,923	2,656	2,888	2,712	2,712
Staff Pay	39,235	40,804	41,944	43,156	44,337
Police Community Support Officer Pay	4,020	4,438	4,565	4,687	4,822
<b>Pay Total</b>	<b>143,015</b>	<b>149,292</b>	<b>153,370</b>	<b>157,090</b>	<b>161,947</b>
<b><u>Non-Pay Budgets</u></b>					
Other Pay and Training	1,252	1,448	1,448	1,448	1,448
Injury and Medical Police Pensions	4,068	4,138	4,308	4,393	4,488
Premises	5,075	4,791	4,791	4,791	4,791
Supplies and Services	16,997	18,064	18,861	19,136	19,584
Transport	2,012	2,258	2,258	2,258	2,258
External Support	3,930	4,459	4,469	4,469	4,469
<b>Non-Pay Total</b>	<b>33,335</b>	<b>35,158</b>	<b>36,135</b>	<b>36,495</b>	<b>37,038</b>
<b>Total Planned Force Expenditure</b>	<b>176,350</b>	<b>184,450</b>	<b>189,505</b>	<b>193,585</b>	<b>198,985</b>
%age Change in Expenditure	9.8%	4.6%	2.7%	2.2%	2.8%

- 5.4 The plans for all 4 years from the Force align with the overall funding indications provided by the PCC to the Force and therefore enable the PCC to set a balanced financial plan for the next 4 years, based on the assumptions set out within this report.
- 5.5 A further £8.1m (4.6%) increase in the funding available to the Force in 2025/26 follows on the back of a £15.8m increase in 2024/25. **In 2025/26 the Force will have over £64m, or 54%, more funding available than it had 7 years ago in 2018/19.**
- 5.6 **Areas of Note within the Force's Plans**
- 5.7 **Police Officers** – in a letter the PCC was provided with an overview from the Home Secretary and the Minister of State for Crime, Policing and Fire of both the National Policing financial settlement for 2025/26 and the local impact for Cleveland.
- 5.8 Within that letter the Police Officer Uplift Target for Cleveland is stated as a Headcount of 1,513 – with an indication that this is the level of Police Officers to be maintained.
- 5.9 The grant conditions will remain as per last year and therefore for every officer below a force's maintenance headcount will result in the ringfence share reducing by £80,000 if missed at both data points (£40k per officer at each data point) down to a threshold of 1.5% below the total maintenance headcount, or 30 officers - whichever is greater.
- 5.10 For example, if a force is two officers below its maintenance headcount at both September, and at March, ringfenced funding would reduce by £160k.
- 5.11 As with this year, reducing officers beyond this threshold level would mean a force will not be eligible for its full share of the ringfence grant. Access to ringfence funding shares will be based upon headcount levels recorded at data collection points on 30 September 2025 and 31 March 2026 and paid in January and July 2026 following the publication of police workforce statistics.
- 5.12 The current plans of the Force are that they will have around 1,512 Headcount Police Officers at both the end of September, and the end of March 2026, this will need to be managed very closely, and flexed as needed, as that is 1 below the Uplift Target.

- 5.13 It is important to recognise that the current assessment of Police Officer resources required to meet demand in Cleveland is significantly above the level set out within the current financial plans. The £1.2m referred to early in paragraphs 4.24 and 4.25 should enable the number of Police Officers within the Force to increase by circa 20.
- 5.14 **Staff** – To be able to balance the budget for 2025/26 the Force are planning to continue to hold Police Staff vacancies.
- 5.15 The budget for 2025/26 forecasts that the Force will be a need to hold around 60 vacancies across the year which has reduced the staff budget by circa £2.6m (this is significantly lower than the 120 vacancies costed at £4m that were factored into the 2024/25 budget).
- 5.16 Almost of all this reduction results for the Force restructuring their staff establishment in line with what is affordable.
- 5.17 This will leave a Police Staff pay budget capable of supporting around 862 FTE staff (excluding Historical Investigation Unit (HIU) Staff) – this compares with around 805 FTEs a year ago.
- 5.18 As at the end of January 2025 the Force are reporting that they have around 832 FTE staff in post (excluding 42 FTEs within the HIU), which is around 30 FTEs less than budgeted.
- 5.19 The level of vacancies within the Staff Pay budget should therefore not be an issue for the Force from a financial perspective, although an underspend in this area might develop if vacancies continue at the current level.
- 5.20 **Historical Investigation Unit (HIU)** – the PCC has submitted a request for the continuation of Special Grant funding to further the work of the HIU. The overall request set out a cost of just over £4.1m for 2025/26, with a request for funding of £3.5m.
- 5.21 A decision on this funding has not yet been received, although in 2024/25 funding of up to £2.4m was provided.
- 5.22 Neither the income nor any of the expenditure for this work is included within the 2025/26 budget, however the Force currently employs around 42 Police Staff who work in this area, that are not currently affordable should the grant not be received.
- 5.23 **Custody** – the Force have decided not to continue with the contract that provides the following services:
- Bail Management team
  - ID team
  - Custody Detention Officers, including the leadership team.

- 5.24 From 1 July 2025 the staff currently providing this service will TUPE transfer to the employment of the Chief Constable and these services will be delivered internally within the Force. There is currently no allowance within the financial plans for any additional costs that might arise because of this transfer. In addition to this, if there are extra costs associated with this transfer, the Force have not yet set out how this will be funded, what the implications of this are in terms of reductions elsewhere within their budget and how this will be shown to offer value for money.
- 5.25 Until this is clarified then there is a risk to both the financial plans and the service delivery plans of the Force.

## **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			
	2024/25	2025/26	2026/27	2027/28	2028/29
<b>Funding</b>	£000s	£000s	£000s	£000s	£000s
Government Grant	(109,345)	(113,410)	(115,678)	(117,992)	(120,352)
Council Tax Precept	(51,284)	(53,244)	(55,780)	(58,607)	(61,501)
Council Tax Freeze Grant	(800)	(800)	(800)	(800)	(800)
Council Tax Support Grant	(6,868)	(6,868)	(6,868)	(6,868)	(6,868)
<b>Funding for Net Budget Requirement</b>	<b>(168,297)</b>	<b>(174,322)</b>	<b>(179,127)</b>	<b>(184,267)</b>	<b>(189,520)</b>
%age Change in Net Budgetary Requirement	7.0%	3.6%	2.8%	2.9%	2.9%
Specific Grants	(19,489)	(21,763)	(20,398)	(20,900)	(21,182)
Witness and Victims Funding	(1,560)	(1,510)	(1,510)	(1,510)	(1,510)
Partnership Income/Fees and Charges	(5,475)	(5,174)	(5,096)	(5,003)	(5,013)
<b>Total Core Funding</b>	<b>(194,820)</b>	<b>(202,770)</b>	<b>(206,130)</b>	<b>(211,680)</b>	<b>(217,225)</b>
%age Change in Core Funding	11.5%	4.1%	1.7%	2.7%	2.6%
Special Grant	(1,830)				
<b>Total Overall Funding</b>	<b>(196,650)</b>	<b>(202,770)</b>	<b>(206,130)</b>	<b>(211,680)</b>	<b>(217,225)</b>
<b>Office of the PCC Planned Expenditure</b>	£000s	£000s	£000s	£000s	£000s
<b>Total Planned Expenditure</b>	<b>1,135</b>	<b>1,265</b>	<b>1,300</b>	<b>1,330</b>	<b>1,360</b>
<b>Community Safety/Victims and Witness</b>	£000s	£000s	£000s	£000s	£000s
Community Safety Initiatives	3,321	1,986	2,019	2,058	2,116
Victims and Witnesses Services	2,162	2,126	2,121	2,142	2,174
Violence Reduction Unit and Serious Violence Duty	1,143	1,143			
<b>Total Planned Expenditure</b>	<b>6,625</b>	<b>5,255</b>	<b>4,140</b>	<b>4,200</b>	<b>4,290</b>
<b>Corporate Services</b>	£000s	£000s	£000s	£000s	£000s
Staff Pay	845	970	990	940	960
Non Pay Expenditure	85	85	85	80	80
PFI Action Stations	6,280	6,545	6,940	6,675	6,815
PFI Uraly Nook	2,240	2,300	925	950	975
Asset Management	1,470	1,750	1,750	1,750	1,750
<b>Total Corporate Costs</b>	<b>10,920</b>	<b>11,650</b>	<b>10,690</b>	<b>10,395</b>	<b>10,580</b>
<b>Police Force Planned Expenditure</b>	£000s	£000s	£000s	£000s	£000s
<b>Pay</b>					
Police Pay	96,837	101,395	103,972	106,535	110,076
Police Overtime	2,923	2,656	2,888	2,712	2,712
Staff Pay	39,235	40,804	41,944	43,156	44,337
Police Community Support Officer Pay	4,020	4,438	4,565	4,687	4,822
<b>Pay Total</b>	<b>143,015</b>	<b>149,292</b>	<b>153,370</b>	<b>157,090</b>	<b>161,947</b>
<b>Non-Pay Budgets</b>					
Other Pay and Training	1,252	1,448	1,448	1,448	1,448
Injury and Medical Police Pensions	4,068	4,138	4,308	4,393	4,488
Premises	5,075	4,791	4,791	4,791	4,791
Supplies and Services	16,997	18,064	18,861	19,136	19,584
Transport	2,012	2,258	2,258	2,258	2,258
External Support	3,930	4,459	4,469	4,469	4,469
<b>Non-Pay Total</b>	<b>33,335</b>	<b>35,158</b>	<b>36,135</b>	<b>36,495</b>	<b>37,038</b>
<b>Total Planned Force Expenditure</b>	<b>176,350</b>	<b>184,450</b>	<b>189,505</b>	<b>193,585</b>	<b>198,985</b>
%age Change in Expenditure	9.8%	4.6%	2.7%	2.2%	2.8%
<b>(Surplus)/Deficit</b>	£000s	£000s	£000s	£000s	£000s
<b>(1,620)</b>	<b>(150)</b>	<b>(495)</b>	<b>(2,170)</b>	<b>(2,010)</b>	
Planned Transfers to/(from) General Fund					
Contribution to Capital Programme	1,880	860	1,070	1,970	1,810
Planned Transfers to/(from) Earmarked Reserves	(260)	(710)	(575)	200	200
<b>Net (Surplus)/Deficit After Reserves</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 almost £11.5m more income in 2025/26 than was being forecast just 12 months ago, and over £12m more income than was received in 2023/24.

- 6.3 In any 'normal' year this would be fantastic news and would enable significant investment and growth of the organisation.
- 6.4 However, most of this £11.5m increase in funding is ring-fenced/needed for the following and comes with corresponding additional costs:
- **£3.0m** more is needed to pay for higher National Insurance Contributions
  - **£3.4m** more was needed to pay for last year's pay award.
  - **£3.1m** has been provided for continuation of the Violence Reduction Unit, investment in Neighbourhood Policing and continued funding for Victims Services.
- 6.5 The remaining £2m, needs to cover the following additional costs:
- £0.5m for a higher pay award assumption
  - £1.5m for higher non-pay inflation
- 6.6 Based on the plans and assumption outlined within this report and 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 balanced budget for the next 4 years.
- 6.7 This continues to provide a challenging but stable financial platform to continue the improved organisational and operational performance that has been seen over the last 3 years, while also providing time to deliver savings plans and efficiencies to be able to reinvest into those areas that continue to be highlighted as risks and in need of investments.
- 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.

## **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 a number of areas of significant capital investment factored into the £5.6m 2025/26 capital budget.
- ICT - £1.7m
  - Fleet - £1.8m
  - Estates - £1.0m
  - Other Schemes - £1.1m
- 7.3 The overall capital budget for 2025/26 is £2.1m higher than the projection that was provided a year ago and while £0.4m results from carry forwards from 2024/25, this is broadly a similar position to 12 months ago 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 2026/27 budget is being considered.
- 7.6 The current capital plans only factor in £2.2m of additional borrowing over the next 4 years.
- 7.7 The level of borrowing that the PCC had peaked in 2019/20 at just over £31m and is expected to be £23.5m by the end of 2025/26.
- 7.8 It was expected that the level of loans would be £25m by the end of 2023/24 however the previous cash position did not require a forecast £3m loan to be taken out in 2022/23 and also did not require a £2.5m loan, to replace one in repaid in September 2023 to be taken out.
- 7.9 The capacity to take out both the £3m loan and the £2.5m loan are now included within 2025/26 and expected to be taken out.
- 7.10 1 loan repayment is due in August 2025 of £760k, this is the only repayment due within the timeframe of this current financial plan.

- 7.11 The PCC will have sufficient funds available to support the heavily reduced 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.
- 7.12 The current Capital Plans, which will continue to be subject to review, development and refinement over the coming years, are set out below:

	2024/25	2025/26	2026/27	2027/28	2028/29
<b>Capital</b>	£000s	£000s	£000s	£000s	£000s
<b>Earmarked Reserve/Funding b/f</b>	<b>10,695</b>	<b>7,361</b>	<b>3,667</b>	<b>1,867</b>	<b>1,365</b>
Contribution to/from Revenue	2,176	860	1,070	1,970	1,810
Capital Receipts (from Vehicle sales)	150	100	125	130	135
Borrowing	1,170	961	433	499	350
<b>Projected In-year funding Available</b>	<b>3,496</b>	<b>1,921</b>	<b>1,628</b>	<b>2,599</b>	<b>2,295</b>
Digital Strategy	2,441	1,723	755	755	755
Estates Strategy	1,170	961	433	499	350
Fleet Replacement Programme	2,838	1,765	1,440	1,537	1,965
Other Schemes & Equipment Refresh	381	1,166	800	310	350
<b>Total Capital Programme</b>	<b>6,830</b>	<b>5,615</b>	<b>3,428</b>	<b>3,101</b>	<b>3,420</b>
<b>Earmarked Capital Reserve/Funding c/f</b>	<b>7,361</b>	<b>3,667</b>	<b>1,867</b>	<b>1,365</b>	<b>240</b>

## 8. Reserves

- 8.1 As at the end of 2023/24 the PCC had Usable Reserves of £23.7m. The reserves held at that point were primarily for the following reasons:
- General Reserves - £5.8m
  - Funding for projects within the financial plans - £7.5m
  - General contingency and risk Reserves - £3.0m
  - Unapplied Capital Grants and Capital receipts - £6.0m
- 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 LTFP, current projections are included within the table below:

	Balance at 31 March 2024 £000	Tranfers In 2024/25 £000	Tranfers Out 2024/25 £000	Balance at 31 March 2025 £000	Tranfers In 2025/26 £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
<b>Funding for projects &amp; programmes over the period of the current MTFP</b>																
Direct Revenue Funding of Capital	(4,643)	(2,176)		(6,819)	(914)	4,066	(3,667)	(1,070)	2,870	(1,867)	(1,970)	2,472	(1,365)	(1,810)	2,935	(240)
PCC Change Reserve	(129)			(129)			(129)			(129)			(129)			(129)
Airwaves Project	(267)		7	(260)			(260)			(260)			(260)			(260)
Change Reserve	(1,302)		136	(1,166)			(1,166)			(1,166)			(1,166)			(1,166)
EDI Reserve	(50)		50	0			0			0			0			0
Wide Area Network Reserve	(460)		460	0			0			0			0			0
Recruitment Reserve	(211)			(211)			(211)			(211)			(211)			(211)
Commissioning Reserves	(270)		73	(197)			(197)			(197)			(197)			(197)
Road Safety Initiatives Fund	(132)			(132)		54	(78)			(78)			(78)			(78)
<b>Sub Total</b>	<b>(7,463)</b>	<b>(2,176)</b>	<b>726</b>	<b>(8,913)</b>	<b>(914)</b>	<b>4,120</b>	<b>(5,707)</b>	<b>(1,070)</b>	<b>2,870</b>	<b>(3,907)</b>	<b>(1,970)</b>	<b>2,472</b>	<b>(3,405)</b>	<b>(1,810)</b>	<b>2,935</b>	<b>(2,280)</b>
<b>Funding for projects &amp; programmes beyond the current MTFP</b>																
PFI Sinking Fund	(598)	(75)		(673)	(75)	130	(618)	(75)	600	(93)	(75)		(168)	(75)		(243)
Incentivisation Grant	(787)		383	(404)		198	(206)			(206)			(206)			(206)
Police Property Act Fund	(35)			(35)			(35)			(35)			(35)			(35)
<b>Sub Total</b>	<b>(1,420)</b>	<b>(75)</b>	<b>383</b>	<b>(1,112)</b>	<b>(75)</b>	<b>328</b>	<b>(859)</b>	<b>(75)</b>	<b>600</b>	<b>(334)</b>	<b>(75)</b>	<b>0</b>	<b>(409)</b>	<b>(75)</b>	<b>0</b>	<b>(484)</b>
<b>General Contingency</b>																
Legal/Insurance Fund	(23)	(350)		(373)	(150)		(523)	(250)		(773)	(200)		(973)	(200)		(1,173)
Injury Pension Reserve	(829)		173	(656)		171	(485)		75	(410)		75	(335)		75	(260)
Urley Nook TTC	(81)			(81)			(81)			(81)			(81)			(81)
NEROCU	(192)			(192)			(192)			(192)			(192)			(192)
Pay, Price and Grant Reserve	(1,074)	(646)		(1,720)		430	(1,290)		225	(1,065)			(1,065)			(1,065)
Major Incident Reserve	(768)		300	(468)		150	(318)			(318)			(318)			(318)
<b>Sub Total</b>	<b>(2,967)</b>	<b>(996)</b>	<b>473</b>	<b>(3,489)</b>	<b>(150)</b>	<b>751</b>	<b>(2,888)</b>	<b>(250)</b>	<b>300</b>	<b>(2,838)</b>	<b>(200)</b>	<b>75</b>	<b>(2,963)</b>	<b>(200)</b>	<b>75</b>	<b>(3,088)</b>
<b>Total Earmarked Reserves</b>	<b>(11,850)</b>	<b>(3,247)</b>	<b>1,582</b>	<b>(13,514)</b>	<b>(1,139)</b>	<b>5,199</b>	<b>(9,454)</b>	<b>(1,395)</b>	<b>3,770</b>	<b>(7,079)</b>	<b>(2,245)</b>	<b>2,547</b>	<b>(6,777)</b>	<b>(2,085)</b>	<b>3,010</b>	<b>(5,852)</b>
<b>General Reserves</b>	<b>(5,772)</b>		<b>0</b>	<b>(5,772)</b>		<b>0</b>	<b>(5,772)</b>		<b>0</b>	<b>(5,772)</b>		<b>0</b>	<b>(5,772)</b>		<b>0</b>	<b>(5,772)</b>
<b>Total Usable Reserves</b>	<b>(17,621)</b>			<b>(19,286)</b>			<b>(15,226)</b>			<b>(12,851)</b>			<b>(12,549)</b>			<b>(11,624)</b>
<b>Capital Receipts Reserve</b>	<b>(6,052)</b>	<b>(150)</b>	<b>5,660</b>	<b>(542)</b>	<b>(100)</b>	<b>642</b>	<b>(0)</b>	<b>(125)</b>	<b>125</b>	<b>(0)</b>	<b>(130)</b>	<b>130</b>	<b>(0)</b>	<b>(135)</b>	<b>135</b>	<b>(0)</b>
<b>Total Reserves</b>	<b>(23,674)</b>			<b>(19,828)</b>			<b>(15,226)</b>			<b>(12,851)</b>			<b>(12,549)</b>			<b>(11,624)</b>

8.4 While the level of Total Reserves as at the end of March 2025 is forecast to be 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 £12m (50%) over the life of this financial plan.**

8.5 A full review of adequacy of reserves and the robustness of the assumptions within the LTFP 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 Police Settlement for 2025/26 has provided the PCC with an increase in Core Government Funding of £8,562k, or 6.7%.
- 10.2 Unfortunately, all of this funding increase is either specifically linked to expenditure or linked to decisions already made nationally, as per the below:
- £4,065k more has been provided in additional core grant to cover the costs of last year's pay award plus to maintain Police Officer numbers.
  - £2,418k has been provided to meet increases in National Insurance Contributions which are expected to total around £3,000k
  - £51k less has been provided to ensure Police Officer numbers are maintained at 1,513.
  - £269k less has been provided to pay for higher Employer's contributions into the Police Officer Pension Scheme.
  - £2,398k has been provided and ringfenced for the Neighbourhood Policing Guarantee.
- 10.3 Given the shortfall in some funding streams, such as National Insurance, and other costs and pressures that need to be managed, even the proposed £14 precept increase was not sufficient to maintain a 'standstill' budget and difficult decisions have had to be made to balance the budget.
- 10.4 The additional £1.2m of Neighbourhood Policing Funding that has yet to be allocated should however see growth in Police Officers, above those included within these plans, once plans are finalised and agreed.
- 10.5 **The PCC therefore has a financial plan for consideration and approval that, while challenging, balances for the next 4 years without any significant assumptions around future savings and efficiencies factored into these forecasts to do so.**
- 10.6 Reserves are currently forecast to reduce by £4.6m during 2025/26 to support the Capital programme, which in turn means that as much funding as possible is being focussed on the Revenue budget, to focus as much funding on service delivery as possible during 2025/26.

## Appendix A

	<b>2025/26</b>
<b><u>Community Safety</u></b>	<b>£000s</b>
Divert Project	219,300
Youth Offending	196,560
ASB Youth Activities	147,300
Adult Protection Contribution	38,000
Local Safeguarding Childrens Board Contribution	131,000
Crimestoppers Contribution	24,260
MFC Kicks	24,000
Inflation allowance	5,159
<b>Total Community Safety</b>	<b>785,579</b>
<b><u>Victims and Witnesses</u></b>	<b>£000s</b>
<b><u>Domestic Abuse</u></b>	
Eva Womens Aid	66,500
Suzy Lamplough	95,972
Harbour	392,958
My Sisters Place	212,470
Halo	27,000
<b><u>Sexual Violence</u></b>	
Arch Teesside	326,440
A Way Out	30,105
SARC Services	160,000
Restorative Justice - Co-ordinator	38,000
Restorative Justice Services	105,000
Victims Referral Services	490,225
Appropriate Adult Services	70,000
Anti Trafficking Network	5,000
Perpetrator Programme (DV)	82,450
Youth Commission	24,000
<b>Total Victims and Witnesses</b>	<b>2,126,121</b>
<b>Total</b>	<b>2,911,700</b>