

## HAMPSHIRE & ISLE OF WIGHT POLICE AND CRIME COMMISSIONER

<b>Title:</b>	Council Tax Precept 2025/26, Budget 2025/26 and Medium Term Financial Strategy 2024/25 to 2028/29
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### 1. Recommendations

#### **The Police and Crime Commissioner (PCC):**

- 1.1. Approves a precept increase of £14 per annum for Band D properties (5.35%), which is the equivalent of £1.17 per month, or 27p per week. The increase of £14 being the amount that the Government expects all PCCs to increase their council tax precept by in order to deliver the levels of policing expected by the public.
- 1.2. Approves the basic Council Tax for the year beginning 1 April 2025 as £275.46 per annum at Band D and notes the basic Council Tax for the year beginning 1 April 2025 for Bands A – G will be as set out in Appendix C
- 1.3. Approves that the final proposed Council Tax Base is 728,768.60 band D equivalents as notified by the billing authorities, and as set out in Appendix C.
- 1.4. Approves the Council Tax requirement for the Police and Crime Commissioner for Hampshire and Isle of Wight for the year beginning 1 April 2025 will be £200,746,598.54 as per Appendix C.
- 1.5. Issues Precepts for the year beginning 1 April 2025 totalling £200,746,598.54 on the billing authorities in Hampshire, the Isle of Wight, Portsmouth & Southampton requiring payment, in such instalments and on such dates set by them and previously notified to the Police and Crime Commissioner for Hampshire and Isle of Wight in proportion to the tax base of each billing authority's areas as determined by them and set out in Appendix C.
- 1.6. Notes that the precept in Hampshire and the Isle of Wight (HIOW) in 24/25 was set at £10 due to the cost of living pressures at the time. That was the lowest increase in the country and increased the amount that HIOW is below the national average to £12.64. As all PCCs are expected to increase council tax precept by £14, it is highly likely that an increase of £14 will still keep the HIOW precept level below the national average.
- 1.7. Notes that the Police and Crime Panel have supported the precept increase.

- 1.8. Notes that consultation has been undertaken to determine the public support for a precept increase, and that the outcome of the consultation shows that there is support for a precept increase.
- 1.9. Notes the recommendations from the Chief Constable on the operational requirements for 2025/26 onwards, and the request that the PCC supports a precept increase to enable the delivery of those requirements, as set out in Appendix A.
- 1.10. Notes that 61% of households across Hampshire & IoW (HIOW) are in properties in council tax bands A-C, and would therefore see a precept increase of less than £14 per annum as set out in Appendix C.
- 1.11. Approves the 2025/26 revenue budget and MTFS as set out in Appendix D
- 1.12. Approves the investment proposals included within the revenue budget as set out in Appendix E.
- 1.13. Approves the Capital Programme as set out in Appendix F.
- 1.14. Approves the Capital Strategy as set out in Appendix G.
- 1.15. Approves the Reserves Strategy as set out in Appendix H.
- 1.16. Notes the CFO's Section 25 statement (Appendix I) and has taken it into account in setting the precept, budget and the MTFS.
- 1.17. Note that the total uplift in additional police officer numbers in HIOW over the three-year period 2020/21 to 2022/23 delivered through the Government's Uplift programme was 498. With the support of the PCC, Hampshire and Isle of Wight Constabulary (HIOWC) had approved funding in 2024/25 to increase by a total net additional 725 officer posts. The proposals in this budget will increase that number further to 815 additional police officers since 2020.

## **2. Executive Summary**

- 2.1. The proposed budget has been developed to support the priorities of the Police and Crime Commissioner's Police and Crime Plan (PCP) – 'More Police, Safer Streets':

"The feedback made it clear that increased police visibility and police presence in all communities are the public's top priorities. As a result, I am committed to increasing the number of local police officers, reopening police stations, and improving the quality of public feedback from the police to ensure that the Constabulary is accessible and accountable to everyone."

- 2.2. The PCC's Police and Crime Plan can be accessed using the link:

[www.morepolicesaferstreets.com](http://www.morepolicesaferstreets.com)

- 2.3. The plan sets out local priorities:

- Police Visibility and Engagement
- Business and Retail Crime

- Crime in Rural Areas
- Road Safety
- Serious Violence
- Anti-Social Behaviour (ASB)

2.4. The budget and proposed precept increase set out in this report will help to ensure that the PCC can deliver on her priorities, in total investing **£17.9m** to fund new initiatives that includes:

- i) More police officers and operational capability including the provision of 90 additional police officers, including 15 more Local Bobbies, that will increase police visibility and engagement.
- ii) Additional public access and police visibility through the opening of new front counters, the expansion of the local bobby scheme and continuing the improvements to the 101 non-emergency service
- iii) Budget for initiatives that create partnerships to tackle business crime, crime in rural areas, road safety, violence reduction and ASB.
- iv) Investment in estate that will provide accommodation for the increasing number of officers in locations that align with the new area operating model
- v) Investment in technology systems and vehicles that are essential to maximise productivity

### **The Revenue Budget & Precept Proposal – Summary**

- 2.5. The funding settlement from Government shows that grant will increase from £274.0m to £292.9m, which is an increase of £18.9m or 6.9%. However, this includes a new additional grant of £5.8m that contributes towards the additional cost of £6.6m for Employers' National Insurance introduced by the Chancellor in the Autumn Budget. There is also £5.2m for a new Neighbourhood Policing Grant for which new conditions are expected to be added but these have not been made clear as yet.
- 2.6. Pension grant has reduced from £9.8m to £9.1m (down £0.7m). The rationale for the reduction is an expected reduction in administration costs relating to pension remedy. The Uplift Grant has reduced from £11.0m to £9.1m (down £1.9m). The rationale provided is that more grant is put into the general grant instead. The Additional Recruitment grant has increased from £3.1m to £4.8m (up £1.7m). That means that core general grant has increased from £237.2m to £246.0m (up £8.8m or 3.7%). If the continuing grants of general grant, pension grant, uplift grant and additional recruitment grant are combined the net increase is £7.9m or 3.0%. It should be remembered that the police officer pay award which came into effect on 1 September 2024 was 4.75%.
- 2.7. The provisional settlement from the Government also assumes that all PCCs will increase their precept by £14 on Band D properties, which

results in a total budget increase estimated by Government of £27.9m, which is 6.6%.

	24/25 £m	25/26 £m	Increase £m	Increase %
General grant	237.2	246.0	8.8	3.7
Pension grant	9.8	9.1	-0.7	-7.1
Uplift grant	11.0	9.1	-1.9	-17.3
Additional recruitment	3.1	4.8	1.7	53.9
Council tax freeze grant	12.9	12.9	0.0	0.0
National insurance	0	5.8	5.8	N/A
Neighbourhood policing	0	5.2	5.2	N/A
<b>Total</b>	<b>274.0</b>	<b>292.9</b>	<b>18.9</b>	<b>6.9</b>

2.8. The Government has allowed PCCs to raise additional funding through a £14 Band D referendum limit in the council tax precept. Whilst potentially a welcome flexibility, increasing the amount raised through precept does further shift the balance of funding, with an increased reliance on the local taxpayer to fund policing and the statutory functions of the PCC.

2.9. Taking account of the police grant and the available precept flexibility, the PCC is **proposing a budget in the net sum of £495.5m.**

2.10. To deliver a balanced budget in the sum of £495.5m, the PCC is:

- i) proposing a **precept increase of £14** (5.35%) that is in line with Government expectations for service delivery, the view of the Chief Constable and public consultation;
- ii) delivering **new investment** in the sum of **£17.9m**, which includes **an additional 90 police officers**
- iii) funding **inflationary pressures** of **£14.6m**

2.11. The budget and precept increase proposed will enable the PCC to deliver on her key priorities of increasing police officer numbers and increasing police visibility, In addition to covering inflationary pressures, the budget will provide new investment in frontline policing and the supporting functions to continue to make HIOW safer.

### **Capital Programme**

2.12. This report includes an update to the Capital Programme, which will see proposed investment across the estate of £59.1m over the next 3 years.

2.13. All new expenditure in the capital programme is fully funded, with no requirement to borrow. The investment in estate is required to open new front counters, accommodate the increasing number of additional officers and to place teams in the best position to deliver for their communities.

2.14. The annual contribution to reserves for capital expenditure on vehicle replacement is maintained at £4.0m pa.

### **Chief Constable Operational Recommendation**

- 2.15. The Chief Constable has set out in Appendix A his assessment of the operational case for an increase in the precept.
- 2.16. The operational case sets out why additional investment is required locally in HIOW through the proposed precept increase.

### **Economic Context**

- 2.17. In the Autumn Budget, the Chancellor set out that the UK's economic and fiscal outlook. The Office for Budget Responsibility (OBR) states that CPI inflation is expected to be around the Bank of England's 2% target rate for future years. However, the increase to employers' National Insurance and the Minimum Wage has led the OBR to increase that assumption to 2.6% in 2025/26. Inflation and supply chain issues remain a key factor and risk when setting the budget, therefore, inflation is budgeted for on a specific line by line basis and the inflation reserve is continued to be maintained to provide resilience for any spikes in inflation.
- 2.18. The PCC has historical borrowing at fixed interest rates but is not expecting to enter into any new borrowing. Investment income has been boosted in recent years by higher interest rates, but the forecast for 2025/26 is for interest rates to reduce gradually. As reserves will also be spent on estate, the investment income stream cannot be relied upon indefinitely.
- 2.19. The current Spending Review period is for 1 year only in 2025/26. The Government is planning a medium term Spending Review known as 'phase 2' for 2026/27 onwards. There is a lack of clarity on the future levels of Government grant beyond 2025/26, however, the Prime Minister has included a reset target of putting police back on the beat with 13,000 additional police personnel that could indicate ongoing prioritisation and financial support for policing.

### **Medium Term Position**

- 2.20. On the assumption of a £14 precept increase (Band D) for 2025/26, followed by precept increases of 1.99% in each of the following 3 years it is likely that savings will be required to balance the budget:

	<b>Forecast Budget Deficit £m</b>
2026/27	7.5
2027/28	12.6
2028/29	19.1

- 2.21. Future announcements on grant and council tax precept referendum limits could go some way to alleviating the pressure shown above. The PCC has reserves to provide financial resilience and to allow time to

consider the best course of action at the time to deliver savings required to balance the budget.

### **Public Consultation**

- 2.22. In considering whether or not to use her flexibility to increase the precept, the PCC has given due consideration to balancing the views of the public and also to the consequences of setting a precept lower than £14 Band D.
- 2.23. The PCC has undertaken consultation online. During the three week consultation period 3,903 responses to the survey. The outcome from shows that there is support for a precept increase from over 77% of respondents to enable HIOWC to take its fight to criminals and reduce crime.

### **Precept Proposal**

- 2.24. The PCC has fully reviewed and scrutinised the detail of the Chief Constable's operational case and request for a precept increase in support of policing and the views from the public consultation.
- 2.25. The precept decision for 2025/26 needs to take into account both the short term and medium term resourcing requirements to ensure that Hampshire and the Isle of Wight is safer now and in the future.
- 2.26. Taking account of the above, the PCC's proposal is therefore for a £14 increase in the council tax precept for 2025/26 for a Band D property. This enables further investment in policing as supported by the Chief Constable and the public respondents and is in line with Government expectations.
- 2.27. Increasing the precept by £14 will raise an additional circa £10m per annum from 2025/26.
- 2.28. The total precept raised for 2025/26 is estimated to be £200.7m, a total increase of £12.8m after allowing for an estimated increase in the Council Tax base of 1.4%.
- 2.29. The balance of funding has changed over the last decade, with council tax accounting for 41% of overall funding in 2025/26 compared to 33% in 2010/11.
- 2.30. The PCC's view is that increasing the council tax by £14 pa on Band D properties (5.35%) provides more policing to deliver the Police and Crime Plan and continues to make Hampshire and the Isle of Wight two of the safest places to be, whilst keeping council tax precept rates below the national average.
- 2.31. The Chief Constable is clear that:
- “My operational view as your Chief Constable is clear. There is a very powerful case for the £14 maximum increase in council tax precept at a time when all communities need effective policing more than ever. We only have to cast our minds back to the summer and the disorder to see how important it is for us to have the policing capability to respond robustly. My officers and staff are the beating heart of the Constabulary.

Like me, they need your support. I would not be doing my job if I did not make this case for funding, or thank them for the selfless work they continue to do.

This budget allows us to go as far as possible, as fast as possible, in improving operational policing. A good example is the investment of staff into our Multi-Agency Safeguarding Hub - supporting efforts to better protect vulnerable children and adults. With increased precept we can do this. Without it we cannot. Another example is our bail team, continuing to invest in this so that we can take more criminals off the streets. Again, this is dependent on local funding. And there is growth of police officers. Ninety more officers, targeted where they are needed the most, topping up the 725 extra already funded since the start of 2020. Not raising council tax to stand still, but to grow yet further. Ninety more people from our communities joining our policing ranks to protect us all against criminality.”

- 2.32. In the context of the proposed £14 precept increase, it should be noted that 61% of households across Hampshire and the IOW are in Bands A to C, and so will see an increase of less than £14 per annum

### **3. Police Grant Settlement**

- 3.1. The provisional Police Grant Settlement announced on the 17<sup>th</sup> December 2024 set out:
- the overall level of Police Grant for HIOW for 2025/26
  - confirmation that PCC's would be permitted to increase the police precept by an additional £14 in 2025/26
- 3.2. The final Police Grant Settlement announced on the 30<sup>th</sup> January 2025 included an additional £100m nationally for Neighbourhood Policing Grant, which provides an additional £2.6m to HIOW compared to the provisional Police Grant Settlement.
- 3.3. In terms of the HIOW grant settlement, this is as set out below:
- i) There will be an increase in HIOW Police Core General Grant of £8.8m (3.7%).
  - ii) The Pension Grant decreases from £9.8m to £9.1m. The explanation provided for the decrease is that there is expected to be less administration costs in 2025/26.
  - iii) Hampshire has been allocated £9.1m (£11.0m in 2023/24) of specific ring-fenced Uplift grant to ensure that the government funded Police Officer Uplift number of 498 for HIOW is maintained. The Uplift Grant will be subject to clawback in those PCC areas where police officer uplift targets are not met. The explanation given for the reduction of £1.9m is so more grant goes into general grant.
  - iv) There is a further grant of £4.8m for Additional Recruitment Top-Up (£3.1m in 2024/25). This grant is receivable for over-achieving the Uplift target. In 23/24 HIOW agreed a 'Batch 1' additional target of 65 officers and a Batch 2 target of 26 officers (+91 officers in total). The

maintenance target is 3309 but with the +91 officers, the headcount target required to be achieved in order to retain this grant is 3400 officers.

v) Legacy council tax grant remains at £12.9m. No increase for inflation.

3.4. In summary the announced grant settlement position is as set out below:

	<b>24/25 £m</b>	<b>25/26 £m</b>	<b>Increase £m</b>	<b>Increase %</b>
General grant	237.2	246.0	8.8	3.7
Pension grant	9.8	9.1	-0.7	-7.1
Uplift grant	11.0	9.1	-1.9	-17.3
Additional recruitment	3.1	4.8	1.7	53.9
Council tax freeze grant	12.9	12.9	0.0	0.0
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<b>Total</b>	<b>274.0</b>	<b>292.9</b>	<b>18.9</b>	<b>6.9</b>

3.5. The provisional grant also assumes that all PCCs will set a precept increase of £14 for Band D properties.



#### **4. PRECEPT PROPOSAL**

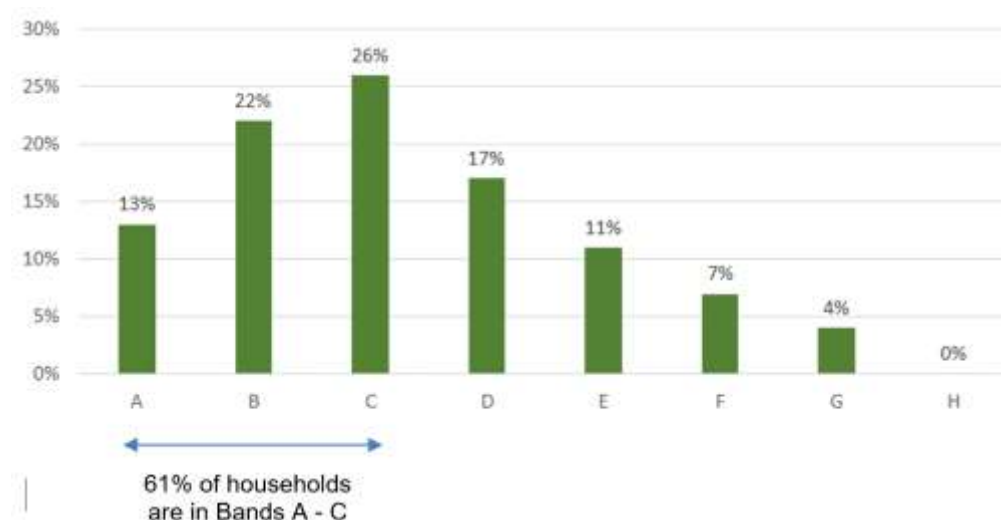
- 4.1. Local funding through Council Tax remains an important source of funding, particularly given that the increase in Government grant to HIOW is less than inflation due to the presumption that PCCs can balance their budgets through the utilisation of their precept flexibility.
- 4.2. The PCC must ensure sufficient resources are available to deliver her Plan and her statutory responsibilities.
- 4.3. The provisional police settlement announced on the 17<sup>th</sup> December confirmed the referendum limit as £14, which for HIOW equates to a 5.35% increase to the Band D precept). The headline funding increase figures for HIOW as set out by the Minister presume that the precept will increase by £14 Band D.
- 4.4. Any precept increase above the referendum limit of £14 would require a public referendum vote to support it.
- 4.5. The precept decision for 2025/26 needs to take into account both the immediate and medium term resourcing requirements that enable the PCC to deliver her Plan both now and over the course of the MTFS.
- 4.6. Over 77% of the public that responded to the survey supported a Band D increase.
- 4.7. Within her Police and Crime Plan, the PCC's key priorities include:
  - Increasing the number of police officers on our streets
  - Increasing police visibility to make residents and local communities feel safer
- 4.8. Reflecting on the feedback from residents, her manifesto commitments and her key priorities above as set out in her Plan and the Chief Constable's operational requirements, the PCC is proposing a precept increase of £14 for a Band D property. This will be utilised to support a further increase in additional police officers, enhanced policing support and better access for the public in 2025/26 onwards.
- 4.9. A precept increase of £14 is in line with Government expectations of the increase required to deliver effective policing services,
- 4.10. Increasing the precept by £14 will raise an additional circa £10m per annum.
- 4.11. The total precept raised for 2025/26 is estimated to be £200.7m, a total increase of £12.8m compared to 2024/25 allowing for an estimated increase in the council taxbase of 1.4%.
- 4.12. As set out in Appendix A, the Chief Constable has set out the operational requirements, and made a clear recommendation to the PCC that she increases the precept by the referendum limit amount in line with Government expectations.
- 4.13. The current Band D Council Tax Precept for HIOW in 2024/25 is £261.46, which is the 10th lowest of the 37 English forces (see Appendix

C). The average Band D police precept in England in 2024/25 is £274.10.

4.14. The proposed precept increase would make the Band D Council Tax precept to £275.46 in 2025/26. The Government's expectation is that PCCs across England will increase their Band D precept by £14, so it is highly likely that the HIOW precept will remain below the national average.

4.15. It is also important to note that a significant number (61%) of households across Hampshire and the IOW are in properties in Bands A – C, and so the increase for those households will be less than £10 per annum, as shown below:

#### Percentage of Households by Council Tax Band



#### Impact of a £14 Council Tax Increase by Council Tax Band

Band	Annual Increase £	Monthly Increase £	Weekly increase £
A	9.33	0.78	0.18
B	10.89	0.91	0.21
C	12.44	1.04	0.24
<b>D</b>	<b>14.00</b>	<b>1.17</b>	<b>0.27</b>
E	17.11	1.43	0.33
F	20.23	1.69	0.39
G	23.33	1.94	0.45
H	28.00	2.33	0.54

4.16. The breakdown of the Hampshire precept by council tax band is shown in Appendix C, including how the precept in the current year compares with those of other PCC areas.

- 4.17. The table below shows for a range of precept increases (up to the maximum of £14) the level of precept income that can be raised:

**Comparison of Band D precept increase options**

Precept increase	24/25 Band D precept (£)	Additional precept income (£m)
Band D (zero %)	261.46	0
Band D £5 (1.9%)	266.46	3.6
Band D £10 (3.8%)	271.46	7.3
Band D £14 (5.4%)	275.46	10.2

- 4.18. In considering the available precept options, the PCC has considered the extent to which the final proposed precept increase enables the delivery of her stated vision and the priorities in her Plan, and has taken account of the precept consultation feedback.
- 4.19. Following consultation with the Chief Constable and the public, and having due regard to her Plan, the PCC has concluded to set a £14 Band D precept increase. Increasing the Band D precept by £14 per annum provides the best opportunity to ensure that her vision ‘for Hampshire and the Isle of Wight to be two of the safest places to live, work and visit’.

**Council Tax base**

- 4.20. The total precept income for 2025/26 of £200.7m (£187.9m in 2024/25) is based on a council tax base of 728,768.60 (718,655.46 in 2024/25) Band D equivalents. Appendix C sets out more details on the council tax.

**Council Tax Collection Fund Account**

- 4.21. The declared surplus on the collection fund for 2025/26 is £1.864m (£1.480m in 2024/25). This is a one-off sum that cannot be used to fund ongoing budget pressures, but can be helpfully utilised to fund one-off costs.

**Council Tax Precept increase beyond 2025/26**

- 4.22. For 2026/27 to 2028/29, the MTFS assumes that the precept increase will be 1.99%; clearly this leaves flexibility for the PCC to consider the level of precept rises in these later years.

**5. Inflation and Pay Assumptions**

- 5.1. The budget includes provision for inflation of £14.6m.
- 5.2. The Office for Budget Responsibility (OBR) stated on 30 October that CPI inflation is now expected to spike slightly beyond 2% to 2.6% due to policies set out in the Autumn Budget but underlying inflation is expected to return to the 2% target rate:

“Budget policies push up CPI inflation by around ½ a percentage point at their peak, meaning it is projected to rise to 2.6 per cent in 2025, and then gradually fall back to target”.

- 5.3. The inflation assumptions applied are shown in Appendix B. In some areas inflation factors will be known as they are included within multi-year contracts.
- 5.4. Key inflation assumptions are:
- a pay award of 2.5% for both police officers and police staff. It is assumed that any increase above that level will be funded by additional Government grant.
  - provision for contractual inflation
  - provision for specific non pay inflation where prevailing rate is known
  - utilities inflation, whilst increasing again, is not as volatile.
  - the Inflation Reserve of £4.7m remains in place to deal with any spikes
- 5.5. The most significant inflation cost is the pay award. A 2.5% pay award is assumed with effect from 1 September 2025. The Home Secretary decides on the actual pay award following consideration of the recommendations from the Police Pay Review Body with effect from September each year, so the actual pay award will not be known until nearer September 2025. The 2025/26 budget has to allow for the full year effect of the 4.75% pay increase set by the Home Secretary for September 2024.
- 5.6. If there were any variation to the pay award assumption then, for example, an extra 1% would equate to an extra £2m of cost in 2025/26 as there is only a part-year effect given that the pay award takes effect from September each year. The sensitivity analysis shows that a 1% variation in non-pay inflation equates to £0.7m.
- 5.7. As inflation and pay awards are included as best estimates, they are of course a risk within the MTFS as the actual position could differ from the assumptions made.

### **2025/26 Budget and Forecast MTFS Assumptions**

- 5.8. The key funding assumptions used to underpin the MTFS are as follows:
- a precept increase of £14 in 2025/26
  - precept increases of 1.99% in the following years; clearly this leaves flexibility for the PCC to consider the actual level of precept rise
  - An annual increase in police grant from 2025/26 of 2% per annum, but no increase or reduction in other grants received in line with previous practice.

### Forecast MTFS Position

- 5.9. For later years the MTFS currently shows a shortfall/budget in excess of forecast income as shown in appendix D and the table below:

	<b>Forecast Budget Deficit £m</b>
2026/27	7.5
2027/28	12.6
2028/29	19.1

### Future Pressures

- 5.10. The police officer pay scales have significant increment increases, in particular, pay point 6 and 7. Officers recruited during the uplift programme will create a pressure on pay increases in the medium term when large numbers of officers reach pay points 6 and 7.

**Table: Police Office Increments**

<b>POLICE OFFICERS</b>	<b>Pay point</b>	<b>Basic Pay</b>	<b>Increase %</b>
Constable	1	29,907	0
as at 01/09/2024	2	31,164	4.2%
	3	32,427	4.1%
	4	33,690	3.9%
	5	36,216	7.5%
	6	41,304	14.0%
	7	48,231	16.8%

- 5.11. The decarbonisation agenda creates some financial and operational risks for policing. There is significant investment required in new infrastructure such as new workshops, power substations and charging points. In addition, the cost of new electric vehicles is currently higher than comparable combustion engine vehicles that could require an increase in the vehicle replacement programme contribution. There may also need to be an increase in the number of operational vehicles if some need to be on charge.

### Future Savings

- 5.12. As currently presented, it is likely that efficiencies and/or savings will be necessary in future years to balance the budget but this position will be updated in later iterations of the MTFS as the assumptions which underpin the MTFS become clearer.

- 5.13. In the event that the MTFS were to remain unbalanced in future years, the PCC and Chief Constable would need to review planned expenditure and propose mitigating reductions to balance the budget position.
- 5.14. Each year, the Finance Department undertakes a Zero Based Budgeting review that generates savings from good housekeeping or improved contractual arrangements.
- 5.15. Benchmarking is currently underway to compare the costs of functions within HIOW with similar functions in other similar forces in order to identify any potential opportunities for savings.
- 5.16. There are other options that could also negate or reduce the need for savings, and these include:
- not requiring the full £5m per annum set aside for investment in each year across the MTFS
  - greater income generation
  - Government grant being higher than forecast
  - the option for the PCC to increase the precept above the 1.99% assumption currently included within the MTFS

## 6. PROPOSED BUDGET

- 6.1. The PCC is proposing to set a balanced budget of £495.5m, an increase in the roll forward budget from 2024/25 of £28.2m, as set out below:

### **Actual Total Police Grant and Precept 2024/25 included in Budget**

	<b>2024/25</b>	<b>2025/26</b>	<b>Increase</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Total Government Grant	274.1	292.9	18.9
Precept	187.9	200.7	12.8
Council Tax Collection Fund Surplus	1.5	1.9	0.4
<b>Total Available Funding</b>	<b>463.4</b>	<b>495.5</b>	<b>32.1</b>

6.2. On the assumption of a £14 precept increase (Band D), this report sets out that the PCC can:

- i) **Set a balanced budget** in the sum of £495.5m, as set out below:

	£m	%
Hampshire Constabulary	443.8	89.57%
Police Estate	26	5.25%
Contribution to Reserves*	15.6	3.15%
<b>Total directly in support of Policing</b>	<b>485.4</b>	<b>97.96%</b>
Office of the Police & Crime Commissioner	3	0.61%
Commissioning, Criminal Justice and Partnerships	4.5	0.91%
Capital Financing (net of Interest earned)	2.6	0.52%
<b>Total Proposed Budget</b>	<b>495.5</b>	<b>100.00%</b>

\* The contribution to reserves in summary includes ICT investment, purchase of vehicles and estates.

- ii) **Deliver the Key Priorities in the Police and Crime Plan** - support the delivery of her vision and enable delivery of the key priorities as set out in her Plan
- iii) **Deliver the Chief Constable Operational Requirements** - takes account of the Chief Constable's operational requirements, and recommendations for the necessary investment to ensure that the Constabulary remain in the strongest possible position to support the PCC in delivery of her Plan
- iv) **Delivers investment of £17.9m**, which includes **investment to fund 90 additional police officers** and enabling infrastructure for HIOW Constabulary, which directly supports the PCC's number one priority which is to increase police officer numbers, and will also help meet the priority of improving police visibility
- v) **Cover the costs of Inflation** - provides for the significant inflationary pressures of **£14.6m** impacting both pay and non-pay; in addition specific funding has been set aside in an inflation reserve to cover the risk on pay inflation, and fuel and utilities inflation
- vi) **Maintain Adequate Reserves** - ensures that reserves remain adequate to meet the significant known cost pressures and risks which arise over the timeline of the medium-term financial strategy
- 6.3. The proposed budget and medium term financial position is set out in more detail in Appendix D.

## Investment

- 6.4. The revenue budget will deliver investment of **£17.9m** in 2025/26 as set out below, and with further detail provided in Appendix E:

	25/26 £	26/27 £	27/28 £	28/29 £
Ongoing budget	14,626,500	19,635,500	24,586,900	29,653,400
One-off budget	3,297,000	150,000	-150,000	-184,700
<b>Total</b>	<b>17,923,500</b>	<b>19,785,500</b>	<b>24,436,900</b>	<b>29,468,700</b>

- 6.5. **National Insurance Contributions** – The Chancellor announced in the Autumn Budget that the thresholds and tax rates will change from 1 April 2025 for employers' national insurance contributions. This policy change results in an increase in cost estimated at £6.6m. The additional cost is partially offset by a new grant of £5.8m receivable.

	25/26	26/27	27/28	28/29
Budget (£)	6,600,000	6,600,000	6,600,000	6,600,000

- 6.6. **Additional Police Officers** – The increases in police officers and the change to the new area based operating mode is delivering improved performance but demand continues to grow. Further investment in officers is required to service Grade 1 immediate calls for service as well as enhancing the existing Local Bobby scheme by 15 further officers to bring the total number of Local Bobbies to 114. The increase also includes an additional Assistant Chief Constable post to oversee delivery and chair misconduct hearings. There is provision for **90 additional police officers** in the revenue budget.

	25/26	26/27	27/28	28/29
Budget (£)	5,594,000	5,594,000	5,594,000	5,594,000

- 6.7. **Windows 11** – The current operating system must be upgraded to Windows 11 or it will become de-supported and will face higher licence costs from Microsoft. All linked systems will need to be tested for compatibility. One-off project.

	25/26	26/27	27/28	28/29
Budget (£)	1,068,600	22,400	0	0

- 6.8. **Telematics** – One-off funding to replace INCA2 as it is no longer supported. Telematics provides an array of data that can be utilised to improve vehicle availability, save costs and improve driver behaviour. The ability to understand how vehicles are being used will also be crucial



for sustainability so that the correct vehicles and chargers can be put in place.

	25/26	26/27	27/28	28/29
Budget (£)	675,400	0	0	0

- 6.9. **Safeguarding Staff Uplift (MASH & Conference Team)** – To enhance staffing levels, optimise processes, and improve inter-agency communication to ensure timely and effective safeguarding of vulnerable individuals. The requirement to achieve this is 9 police staff including 2 MASH Decision Makers (already temporarily funded) and 5 MASH Coordinators. Also the addition of one Co-ordinator and one Conference Attender to the Conference Team.

	25/26	26/27	27/28	28/29
Budget (£)	380,600	371,600	371,600	371,600

- 6.10. **Vetting** – Additional 8 staff to meet demand & reduce time taken to vet personnel to 30 working days.

	25/26	26/27	27/28	28/29
Budget (£)	326,400	319,400	319,400	319,400

- 6.11. **End User Devices** – Devices such as phones and laptops are now standard issue, so provision is required for the replacement cost and programmes of work for when contracts change.

	25/26	26/27	27/28	28/29
Budget (£)	295,000	295,000	295,000	295,000

- 6.12. **DEVA 2** – Phase 2 of the DEVA programme will move the storage of data retrieved from seized devices to the cloud environment to comply with accreditation requirements and making the data easier to access and retrieve. That will deliver savings by not having to replace servers

	25/26	26/27	27/28	28/29
Budget (£)	267,800	312,000	-150,000	-150,000

- 6.13. **Bail Team** – To permanently establish the Force Bail Team and align increased capability to frontline Custody teams (7.6 police staff)

	25/26	26/27	27/28	28/29
Budget (£)	263,000	255,400	255,400	255,400

- 6.14. **Estates** – To fund rent and rates for new buildings, feasibility studies, improving the firearms range and includes £100k for estimated ICT costs for estate works.

	25/26	26/27	27/28	28/29
Budget (£)	247,800	247,800	247,800	247,800

- 6.15. **Information Management Compliance** – One-off project to address high-risk non-compliance with FOI, Data Protection, Management of Police Information and Investigatory Powers Commissioner obligations & National Enabling Programme security requirements.

	25/26	26/27	27/28	28/29
Budget (£)	181,000	151,700	-34,700	-34,700

- 6.16. **Modernising Partnership Together** – One-off programme to automate data sharing with partners through a Common Data Platform to achieve compliance with obligations under The Serious Violence Duty to inform decision-making. The platform is designed to be "self-serve first" and has the potential to reduce the burden of providing data.

	25/26	26/27	27/28	28/29
Budget (£)	220,000	0	0	0

- 6.17. **Gov Wifi** – Further one-off funding to complete the rollout of Gov wifi to the remaining critical sites.

	25/26	26/27	27/28	28/29
Budget (£)	211,700	0	0	0

- 6.18. **Taser training** – An increase in 3 police officer taser trainers is required in order to satisfy new requirements set out by the College of Policing.

	25/26	26/27	27/28	28/29
Budget (£)	184,200	181,200	181,200	181,200

- 6.19. **Security** – a security maintenance budget is required to be able to fix and replace security apparatus such as CCTV when required.

	25/26	26/27	27/28	28/29
Budget (£)	150,000	150,000	150,000	150,000

6.20. **Personal Safety Training** – Venue, equipment and transport due to College of Policing increase to 2 days.

	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>
Budget (£)	145,000	118,000	118,000	118,000

6.21. The remaining smaller investments are set out in detail in Appendix E.

## **7. SAVINGS AND EFFICIENCIES**

7.1. Total cashable savings delivered over the three year period 2022/23 to 2024/25 are £7.8m. The 2025/26 budget includes savings of £1.3m. An extensive programme of savings was delivered in 2023/24 totalling £6.4m, which are all on course for delivery. The nature of those savings, inflationary pressures and higher service levels have reduced the opportunity for further savings in 2025/26 but benchmarking continues to be undertaken to identify potential options.

### **PCC Treasury Management Investment Income**

7.2. The PCC's reserves position means that cash balances will deliver further funding in 2025/26 through investment income returns and this is expected to exceed the £2m budget set. This cannot be relied upon as a long term funding option as balances will deplete as reserves are spent and interest rates can change.

### **Constabulary Savings**

7.3. The Constabulary undertakes an annual Zero Based Budgeting (ZBB) process whereby the Finance staff review each budget line to assess where efficiencies can be found. In addition, two separate benchmarking programmes of work are underway to identify potential options for savings.

7.4. The largest area of expenditure is police officer pay. The Uplift Grant requirements reduces flexibility in this area. The Neighbourhood Policing Guarantee introduced by Government requires an increase of 13,000 personnel nationally. The mechanisms that will be put in place to monitor this target may further limit the scope of any potential savings.

7.5. Non-pay expenditure is procured using contracts that are increasingly national frameworks that offer best value for money. If prices cannot be reduced then the only option for savings from these contracts will be to reduce demand (for example, use less of the goods or services that are being purchased) which limits the opportunity for savings from non-pay expenditure without a reduction in service levels.

## **8. POLICE OFFICER UPLIFT AND PCC FUNDED INCREASES**

- 8.1. The Government announced in July 2019 their intention to invest in policing to provide funding to support the appointment of an additional 20,000 police officers nationally over the three-year period 2019/20 to 2022/23.
- 8.2. Over those three years, the Police Uplift Programme funded a net additional 498 officers for HIOWC. However, as set out in the 2022/23 Budget and Precept report, with support from the PCC, HIOWC delivered an increase of 600 officers in that three-year period.
- 8.3. The PCC utilised the precept flexibility in 2023/24 to recruit a further 50 additional officers, which took the total number of new officers recruited since the start of the uplift programme to 650. The additional 75 officers set out in the 2024/25 budget takes the total net additional officers added since Uplift began to 725 officers. The funding of an additional 90 officers in the 2025/26 budget will take that total to 815 net additional officers since 2020.
- 8.4. The Neighbourhood Policing Guarantee provides a potential opportunity to fund further investment in officers, but also applies to PCSOs and Special Constables. The settlement included a new grant for £5.2m in 2025/26 but there is currently no confirmation as to whether any conditions will be attached to that funding.
- 8.5. There continues to be a thorough recruitment and selection process required for officers including assessments, interviews and vetting before the officer joins. Officers are trained on arrival and would normally be signed off for independent patrol after approximately 40 weeks of training. This creates a lead-time before new officers will make an impact on performance.
- 8.6. The national Police Education Qualification Framework (PEQF) introduced 2 or 3 year student officer training schemes for new constables. These schemes are delivered in liaison with higher education institutions, funded through the apprenticeship levy. The requirements of these apprenticeships includes 20% protected learning time throughout the student officer phase. That is time for study where the officer would not be deployable or having contact with the public. Therefore, there can be a lengthy time between when funding is authorised to recruit officers and the point at which the public see the benefits from that decision. The PCC and Chief Constable have led a change to a non-degree route that removes the need for protected learning time and, therefore, increases the amount of time that student officers are available to deliver policing to protect the public. The Constabulary currently uses all approaches available in order to attract a wide range of applicants.

## 9. CAPITAL PROGRAMME

- 9.1. The capital programme has been updated. Importantly, there are no plans to borrow in order to fund the capital programme despite the fact that there is no capital grant issued to PCCs and there is an extensive capital programme ongoing to ensure continued investment across the police estate.
- 9.2. Over the next 3 year period, a total investment of £74.1m is allowed for within the capital programme. The programme includes £59.1m for estates and £15m for vehicles over the next 3 years with the majority of funding coming from reserves.
- 9.3. Funding provision of £2m is included within the budget to support future borrowing if required, but because there are no current plans to undertake new borrowing, this sum is being utilised as an annual revenue contribution towards funding the estates element of the capital programme.
- 9.4. The Capital Programme is as set out below and in Appendix F:

Capital Programme	2025-26	2026-27	2027-28
	£m	£m	£m
<b>Capital Expenditure:</b>			
Estates	10.8	23.3	25.0
Vehicles	5.0	5.0	5.0
<b>Total Expenditure</b>	<b>15.8</b>	<b>28.3</b>	<b>30.0</b>
<b>Funded by:</b>			
Capital receipts	(1.5)	0.0	0.0
Estates Reserves	(9.3)	(23.3)	(25.0)
Vehicle replacement revenue cont	(4.0)	(4.0)	(4.0)
Vehicle replacement reserve	(1.0)	(1.0)	(1.0)
Borrowing	0.0	0.0	0.0
<b>Total funding</b>	<b>(15.8)</b>	<b>(28.3)</b>	<b>(30.0)</b>

- 9.5. The Capital Programme includes proposed investment (indicative values shown) over the period to enable the delivery of a number of key schemes, including the opening of more front counters in response to public demand. There is also provision to modernise existing sites that have suffered from a lack of investment capacity.
- 9.6. The Capital Strategy is set out in Appendix G. It provides a 'high-level' overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of the services within the PCC's remit including policing, and provides an overview of how associated risk is managed and the implications for future financial sustainability.

## 10. RESERVES AND FINANCIAL STABILITY

10.1. Reserves are necessarily and appropriately held as part of good strategic financial management and are a key element in supporting the PCC's medium-term planning and Medium-Term Financial Strategy.

10.2. The current forecast level of reserves is as set out below, and further detail is set out in the Reserves Strategy at Appendix H:

	Actual as at 31 March 2024	Forecast as at 31 March 2025	Forecast as at 31 March 2029
General Reserve	24.2	18.2	18.0
Earmarked Reserves	123.6	115.5	39.2
<b>Total Reserves available for use by the PCC to support delivery of the Police &amp; Crime Plan and to support the Constabulary</b>	<b>147.8</b>	<b>133.7</b>	<b>57.2</b>

10.3. HIOW make more use of reserves than other PCC's due to the relatively low levels of overall funding, that requires strong medium term financial planning to be in place to fund foreseeable budget pressures such as the need to replace buildings, ICT, operational equipment and vehicles. Some PCC's do not place money in reserves to cover these pressures that could create in-year budget pressures or a need to borrow.

10.4. For example, HIOW set aside funding in reserves to pay for body armour replacement. Funding for ICT programmes is also contributed to reserves pending a formal business case approval for the release of the funding. This is because the cost of ICT solutions and even the solutions available can change before a project is scheduled for delivery.

10.5. There are substantial reserves available (£59.4m at 31 March 2025) for estate. The move to the new area model has required officers and staff to relocate. Some spending on estate was paused while the review took place but plans are now in place for a new estate strategy that will upgrade existing buildings and provide new premises based on the operational need.

10.6. The PCC has set aside funds to pay for the local costs relating to the national Emergency Services Mobile Communications Programme that will replace the current Airwave radio system. The amount set aside is set out in the national business case. All PCCs will need to provide for that cost.

10.7. HIOW also hosts the national ACPO Criminal Records Office (ACRO) and holds reserves for ACRO on behalf of all other PCCs.

10.8. The level of reserves continues to be reviewed by the PCC and the Chief Finance Officer to ensure that suitable reserves are in place to mitigate and manage the risk of the financial challenges faced, and to ensure that reserves are not unnecessarily held to the extent that is detrimental to

current service delivery. The level of reserves required and the intended use of those reserves is reviewed on a regular basis.

10.9. It is recognised by the Home Office that it is prudent to hold appropriate reserves to both manage risk and to avoid cliff edges caused by fluctuations and changes in funding and unexpected budget shocks, and to also enable the delivery of efficient and effective operational policing.

10.10. The PCC continues to use reserves to:

- support the overall budget and medium-term financial strategy
- deliver the Estates strategy and capital programme
- fund the necessary ongoing investment in essential equipment upgrades in support of front-line policing (e.g. Taser replacement, body armour replacement)
- invest in IT (including the national roll out of the Emergency Services Network (ESN))
- deliver her Plan and to ensure that the Constabulary remains a modern, operationally effective Police Service
- manage risk (for example Inflation reserve, Insurance reserve)

10.11. Reserves are a one-off resource, which unless replenished, can rapidly diminish.

10.12. In the medium term there is likely to remain significant financial stress in the system to be managed, including:

- i) managing the overall financial position against a back drop of increasing demand
- ii) funding the necessary investment to deliver the PCC's ambition in relation to delivery of her Plan and commissioning of services
- iii) meeting the Chief Constables operational requirements, in support of 'More Police, Safer Streets 2'
- iv) the investment required to ensure that the Constabulary remains modern and fit for purpose
- v) ensuring that the police estate remains operationally effective, is continually improved, and is a modern and safe environment
- vi) the still to be determined consequences of national programmes (e.g. ESMCP) which require a local funding stream for delivery of its outcomes as well as being subject to growing needs for top sliced contributions to deliver the national infrastructure
- vii) the significant investment required to embrace an ever evolving technology and digital landscape
- viii) inflationary pressures, including the yet to be agreed pay awards, and the significant pressures on utility costs
- ix) delivering against the sustainability agenda
- x) the level of risk over the medium term

- 10.13. In view of the risks and cost pressures faced by the PCC and the Constabulary, in the medium term there is likely to be a significant call on reserves to fund one off pressures, initiatives and investment.
- 10.14. The two main reserves available to the PCC to fund these cost pressures are the General Reserve and Earmarked Reserves.
- 10.15. **General Reserve** – this is the main reserve held to manage unidentified and unforeseen risk. The PCC CFO is required to set a minimum level for the General Reserve, and this is currently set on a risk basis at £5m. The forecast balance on the General Fund Reserve at the 31st March 2025 is £18.2m.
- 10.16. **Earmarked Reserves** – the PCC holds a number of specific reserves that can be utilised in support of the budget over the timeline of the MTFS.
- 10.17. **The PCC CFO's assessment is that:**
- i) the level of the General Fund reserve is reflective of the overall risk environment in which the PCC operates
  - ii) the level of Earmarked reserves and their purpose are necessary and appropriate
- 10.18. Further detail on reserves is set out in the Reserves Strategy attached as Appendix H.

## **11. RISK**

- 11.1. There are a number of risks that could impact upon the financial position, for example, key risks would be:
- we have no HIOW grant funding information beyond 2025/26; our current assumption for future years grant could be too high compared to what we actually receive
  - there is a risk of clawback against the Police Officer Uplift Grant should the Constabulary be unable to meet the Government target
  - the Precept proposed by the PCC could be less than the assumed 1.99% increase included in each year of the MTFS
  - the overall funding and economic position could create more difficulties
  - inflation could be greater than forecast which would create a cost pressure (as an example, each 1% increase in the pay award beyond the current assumption of a 2% pay award would lead to an in year cost pressure of £2m)
  - the £5m incremental recurrent revenue funding each year within the MTFS is insufficient to cover new recurrent revenue pressures
  - decarbonisation presents financial risks in terms of the scale of investment required for new premises for servicing vehicles, new power requirements, charging infrastructure and the cost of new vehicles. The types of electric vehicles that are available on the



market today create operational risks. Additional funding and/or advancements in new technologies and vehicles will be needed to reduce the risks created

- the police officer pay scale has some significant increment increases that create a potential financial risk as a large group of new officers progress through the pay scales
- an increase in national top-slices
- a risk that partner agencies could reduce or withdraw their services which puts additional financial pressure on the police service
- some activities and funding could be moved to a regional or national basis that would remove funding from the HIOW policing area. There is a risk that the removal of funding causes a financial difficulty that needs to be managed locally
- insufficient savings are identified or delivered to meet the forecast medium term budget shortfall, necessitating a draw from reserves to balance the budget in any one year
- the earmarked reserves are insufficient to cover the pressures/risks to which they relate

11.2. The overall level of risk has been taken into account in assessing the minimum and overall level of reserves, and as set out in section 10 and in the Section 25 report in Appendix I, the PCC's CFO is content that the level of General Reserve is reflective of the overall risk environment, and also that the level of Earmarked Reserves are appropriate, which includes a number of specific risk reserves.

11.3. As set out above the level of reserves held is appropriate and takes account of the identified risks.

## **12. PUBLIC ENGAGEMENT AND CONSULTATION**

12.1. The PCC ran an online Precept consultation closing on December 16<sup>th</sup> 2024.

12.2. The consultation timing was to enable the PCC to consider the views of the public of HIOW on the level of precept increase as part of her budget and precept proposal.

12.3. In total, the PCC received 3,903 responses to the online consultation. Not all survey respondents completed the question relating to the precept increase, with a total of 3,727 responses to the precept question.

12.4. A key outcome was that overall 77% of respondents who answered the question relating to precept were supportive of a precept increase. A

total of 64% of respondents preferred an increase of between £10 to £20.

Response to precept question	%
£20 increase per year	23.0%
£15 increase per year	17.8%
£10 increase per year	23.4%
£5 increase per year	13.1%
No increase	18.3%
Other amount - Write In	4.4%

12.5. Respondents were asked to set out their priority areas, which provided valuable insight for the PCC. The top 3 priority areas were:

- i) 54.5% saw tackling ASB as a priority
- ii) 45.6% vehicle crime
- iii) 41.1% burglary

12.6. Although the consultation did not specifically ask about a £14 precept increase due to this flexibility being announced post consultation, the PCC has been able to consider the feedback on priority areas for investment as part of her consideration of whether or not to use the precept flexibility afforded by a £14 increase.

12.7. The consultation feedback was supportive of the PCCs key priorities, and the PCC has taken account of the feedback as part of her consideration as to the level of precept increase proposed £14 increase for a Band D property.

### **13. CFO SECTION 25 REPORT**

13.1. The PCC CFO is required under section 25 of the Local Government Act 2003 to report to the PCC when setting her precept on:

- the robustness of the estimates included in the budget, and
- the adequacy of the financial reserves in the budget.

13.2. The CFO's section 25 report, which provides a positive opinion on both of the above, is attached to this report as Appendix I.

## **14. SUMMARY**

- 14.1. The PCC is in increasing the precept by £14 for a Band D property, to deliver her vision and the priorities within her Plan.
- 14.2. The PCC has made a commitment to invest in an additional 90 police officers, and deliver overall new investment of £17.9m.
- 14.3. The Chief Constable has set out the operational case in clear support of a precept increase. See Appendix A.
- 14.4. The public has supported the case for an increase in precept.
- 14.5. 61% of households across Hampshire and the Isle of Wight are in properties in council tax bands A-C, and would therefore see a precept increase of less than £14 per annum.
- 14.6. A fully funded Capital Programme is proposed which will deliver £74.1m of investment over the next 3 years.
- 14.7. The CFO's section 25 report, attached to this report as Appendix I, provides a positive opinion on:
  - the robustness of the estimates included in the budget, and
  - the adequacy of the financial reserves in the budget.

## Appendix A

### The operational case for an increase in council tax precept

Chief Constable Scott Chilton

### Operational statement

In February 2023, upon being appointed Chief Constable of Hampshire and Isle of Wight Constabulary I committed to implement a far more proactive style of policing, bringing officers back to communities, putting victims first, delivering exceptional local policing, and to relentlessly pursue criminals.

### What has already been delivered?

In last year's budget proposals, I described improvements that my officers and staff had already achieved. We can now see that the improvement is sustained. Comparing the twelve months to February 2023 with the twelve months to November 2024 shows a dramatic improvement in policing outcomes. The charts below demonstrate this.



- The force is responding quicker to get to people who need our help in both categories (Grade 1 and Grade 2 emergencies). This is significant as it can be the difference between life and death.
- Crime is down by almost 17,000 reports (nearly a 10% reduction).
- Almost 3,000 additional offences resulted in an outcome for victims, and it is striking how this is across the categories of crime. More burglars, more

rapists and sexual offenders off our streets and facing justice. Shoplifters are being targeted in a way that simply was not being done before.

- For out of court disposals (an alternative to formal charging) Hampshire and the Isle of Wight is the best against independently judged 'similar' forces.
- Our charge/ summons rates at court are up by more than 3,500 – a massive 34% improvement.
- Getting our service right relies on the public being able to contact us effectively. It is here that we have seen the most remarkable turnaround from one of the worst to best in class.

### **What is behind the success?**

Local funding has helped my officers and staff to achieve all of this through a force reorganisation and determined focus. The success is theirs and I am very proud of them. They are fuelled by a commitment and dedication which is second to none. Supported by a proactive mind-set within the force leadership, and by growth in their numbers. The Police and Crime Commissioner, successive governments, Crime Panel members, and local people have supported more officers, staff and investment in key operational areas. It is paying off.

Behind the performance improvement sits a sustained effort from not just Contact Teams and our new Local Bobbies - which we launched first and are now national policy, putting us ahead of the game - but from the wider neighbourhood teams, response teams, local investigators, serious crime teams, and the new proactive crime capability that has been introduced. This is all part of visible and proactive policing. Neighbourhood Enforcement Teams are an example. They do exactly what they say on the tin by taking the fight to criminals and helping us to get on the front foot. With the Commissioner's support, we have also invested in new technologies such as Automatic Number Plate Recognition (ANPR) capability, an enhanced intelligence function thanks to last year's budget, and focused on shoplifting and increasingly rural crime with more analytical capability now providing officers with a more informed picture of the criminal networks they are pursuing.

One of the things that I made very clear is that it's not just about our communities being safe, but about them feeling safe too. At this point last year the Police and Crime Commissioner and I opened up a new police station in West Cowes on the Isle of Wight. A year on we now opened up five more stations, reversing closures of the past – Portsmouth Central, Park Gate, Ryde, Yateley and Totton just last month. We said that we would do this and we have. Petersfield station will open in the next financial year, giving our neighbourhood teams a better work place and location to work from, and accessible to the public. More will follow and this localism is key to my delivery of outstanding policing services.

The role of the Chief Constable is to ensure first class policing is delivered for the people and I support the Commissioner's Police and Crime Plan in a joint endeavour. The funding last year from precept made a big difference. It is worth

remembering, however, that the force had the lowest percentage increase in local funding of any in the country. I understand the pressures on people's finances and why that decision was made. This year we cannot deliver the kind of progress that we need to deliver without going to the full possible increase of £14 on Band D. It is what government expects us to do. It is what I believe other police forces will again do and it is the right thing to do.

### **What will we spend any additional funding on this year?**

Not many people think of policing as a business. It is certainly not how we define ourselves as, rightly, profit is not in our vocabulary. However, just like any other sector, policing faces an increase in the cost of bills, rents, services, fuel, licences and other factors. We also do not determine pay increases or decisions on pensions or employer contributions in other areas. These are uncontrollable pressures for us. Despite reassurances that the full amount would be covered, the police grant covers only £5.8m of the £6.6m National Insurance increase, leaving us £0.8m short. Ironically, one of the things that counts against us here in Hampshire and the Isle of Wight is our level of ambition compared to others. The April 2024 number of officers is what has been used in the calculations, whereas we were already growing by 75, with another 90 additional supported by this budget. The Commissioner and I continue to make national representations, as you would expect.

It is only with robust financial planning that we can try to absorb these costs, whilst also delivering growth in police officers. We have worked hard with the Police and Crime Commissioner and her team to achieve that balance. Over the last three years, through zero-based budgeting, the force has found efficiencies of £7.8m showing a strong commitment to only asking for what we need. We will continue with this mind-set.

It is relevant context to share the position that many other forces find themselves in. We have already seen other forces ask for the maximum £14 increase just to maintain their police officer numbers. They are plugging holes. For some, even the maximum is not enough. Vital staff roles are also being cut to prop up 2024 officer targets, and they are struggling to invest in the infrastructure that modern policing requires. Local funding described in this budget makes the difference. It is a simple equation, more Council Tax is how we afford more police officers.

My professional view is that we need the maximum £14 precept increase.

This budget describes the next stage of our plans. The biggest longer term barrier remains the peculiarities of the police funding formula, referred to at the end of 2024 by HMICFRS lead Andy Cooke as "an anachronism" wherein the "richer police forces get richer, and the poorer police forces get poorer". Make no mistake, we are one of the poor ones. There are many measures you can use. We are disadvantaged through an unfair and outdated national funding formula. The latest independent Value for Money profile, published in December 2024, shows that only ten of the forty-three police forces in the

country get less funding per head of population. By all measures we are in (or as good as in) the bottom quartile.

I can reassure you all that every penny is and will continue to be well spent.

### **Pressures and planning for the future**

Latest census information puts the population of our counties at approximately 2.1 million. By 2030 this population is projected to be closer to 2.6 million. It is not good enough for us only to focus on today. As we deliver increasingly improved services, we are also preparing for the future. We still have an unusually high percentage of officers in training or early stages of their career. Their pay will grow as they gain experience and skills; a benefit in taking the fight to criminals but a future pressure that we need to manage.

We also have an estate with many buildings requiring upgrades. I am pleased by the publication of our new shared Estates Strategy, but it only goes to underline the fact that sustained investment is needed and we have the earmarked reserves to do that. With a maintenance backlog to address too, improving our estate is just one way that the force will improve the work environment for our people. Not just because it is the right thing to do but because the right buildings in the right location – much like effective IT, technology, data systems and availability of vehicles – will help us to sustain and improve performance as we have done this year. We will complete the final parts of a full roll out of WiFi into our buildings, including custody, so all of our staff can use technology more effectively. I have also shared in previous years the need to assess and develop our approach to sustainability such as electric vehicles and other fuels, which requires imminent investment in the force's infrastructure. Without sufficient budget this will not happen. I do not want to have to reduce officer or operational staff numbers to do this.

For every item listed in this budget, there are multiple bids that did not make the cut, adding up to millions of pounds. The majority of those reaching Chief Officers were graded as "high priority" following a rigorous prioritisation process in the force over a period of months, but have either been discarded or deferred to allow "mandatory" requirements to be funded. Were a £14 precept not to be achieved, even more "high priorities" would need to be shelved. In essence, this £14 precept rise is the bare minimum required.

### **Final comments**

There is a clear opportunity with this budget to ensure this police force builds on the progress of the past eighteen months. The question is; how far and how quickly do we want to go?

My operational view as your Chief Constable is clear. There is a very powerful case for the £14 maximum increase in council tax precept at a time when all communities need effective policing more than ever. We only have to cast our minds back to the summer and the disorder to see how important it is for us to have the policing capability to respond robustly. My officers and staff are the

beating heart of the Constabulary. Like me, they need your support. I would not be doing my job if I did not make this case for funding, or thank them for the selfless work they continue to do.

This budget allows us to go as far as possible, as fast as possible, in improving operational policing. A good example is the investment of staff into our Multi-Agency Safeguarding Hub - supporting efforts to better protect vulnerable children and adults. With increased precept we can do this. Without it we cannot. Another example is our bail team, continuing to invest in this so that we can take more criminals off the streets. Again, this is dependent on local funding. And there is growth of police officers. Ninety more officers, targeted where they are needed the most, topping up the 725 extra already funded since the start of 2020. Not raising council tax to stand still, but to grow yet further. Ninety more people from our communities joining our policing ranks to protect us all against criminality.

Thank you for taking the time to read this statement.

**Chief Constable Scott Chilton**



## Appendix B

### Inflation and Assumptions

<b>Inflation</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
Pay Inflation (Sept Pay Award)	2.2%	2.0%	2.0%	2.0%
Default prices inflation	2.0%	2.0%	2.0%	2.0%

Exact inflation is used where it is known for certain contracts or where the commodity in question has a specific inflation %

<b>Employer Pension Contributions</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
Officers	35.3%	35.3%	35.3%	35.3%
Staff	16.3%	16.3%	16.3%	16.3%

<b>Funding</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
Police core grant	2.0%	2.0%	2.0%	2.0%
Council tax benefit & freeze grants	0.0%	0.0%	0.0%	0.0%
Pension grant	0.0%	0.0%	0.0%	0.0%
Uplift grant	0.0%	0.0%	0.0%	0.0%
Additional recruitment	0.0%	0.0%	0.0%	0.0%
National Insurance	New	0.0%	0.0%	0.0%
Neighbourhood Policing	New	0.0%	0.0%	0.0%
Precept	5.35%	1.99%	1.99%	1.99%

## Appendix C

### Council tax Precept

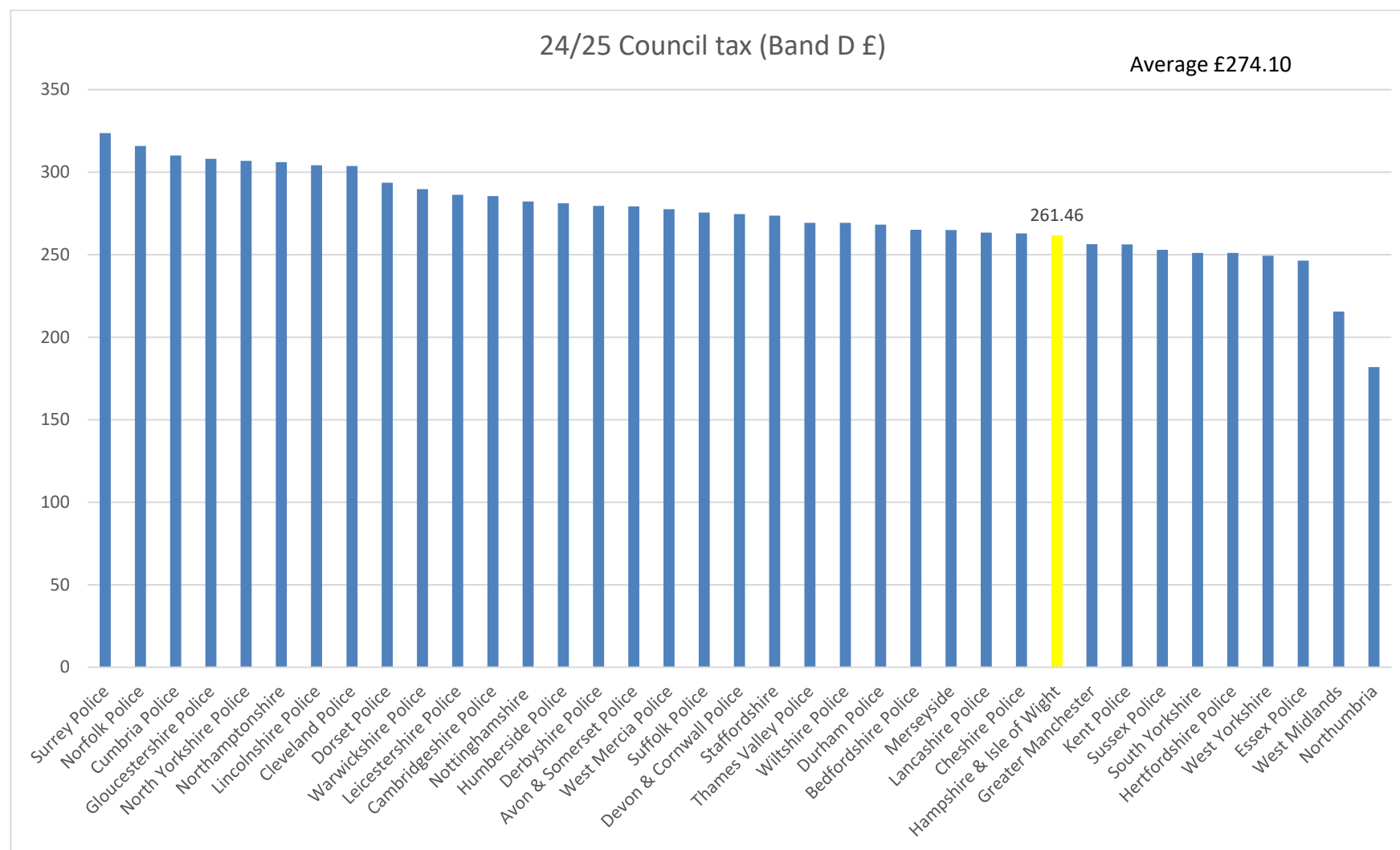
Band	Council tax at each band							
	A	B	C	D	E	F	G	H
<b>24/25</b>	174.31	203.36	232.41	261.46	319.56	377.66	435.77	522.92
<b>25/26</b>	183.64	214.25	244.85	275.46	336.67	397.89	459.10	550.92
<b>Increase £ pa</b>	9.33	10.89	12.44	14.00	17.11	20.23	23.33	28.00
<b>Increase £ p/month</b>	0.78	0.91	1.04	1.17	1.43	1.69	1.94	2.33
<b>Increase £ p/week</b>	0.18	0.21	0.24	0.27	0.33	0.39	0.45	0.54
<b>Increase %</b>	5.35%	5.35%	5.35%	5.35%	5.35%	5.35%	5.35%	5.35%

### Collection authority tax bases and share of precept 2025/26

Collection authority	Tax base	Precept
Basingstoke	70,025.33	19,289,177.40
East Hampshire	52,823.33	14,550,714.48
Eastleigh	49,576.31	13,656,290.35
Fareham	44,596.40	12,284,524.35
Gosport	27,086.50	7,461,247.29
Hart	43,072.16	11,864,657.19
Havant	43,147.40	11,885,382.81
New Forest	73,355.00	20,206,368.30
Rushmoor	33,410.57	9,203,275.61
Test Valley	52,407.00	14,436,032.22
Winchester	54,886.50	15,119,035.29
Portsmouth	59,340.00	16,345,796.40
Southampton	67,345.00	18,550,853.70
Isle of Wight	57,697.10	15,893,243.17
<b>Total</b>	<b>728,768.60</b>	<b>200,746,598.56</b>

## Comparison of Council Tax Precept by PCC 2024/25 Financial Year

		<b>24/25 Council tax (Band D) £</b>	<b>Council tax increase £</b>	<b>Council tax increase %</b>
	<b>Authority</b>			
1	Surrey Police	323.57	13.00	4.19
2	Norfolk Police	315.90	12.96	4.28
3	Cumbria Police	310.05	12.96	4.36
4	Gloucestershire Police	308.08	13.00	4.41
5	North Yorkshire Police	306.86	11.77	3.99
6	Northamptonshire	306.04	13.00	4.44
7	Lincolnshire Police	304.20	12.96	4.45
8	Cleveland Police	303.73	13.00	4.47
9	Dorset Police	293.58	13.00	4.63
10	Warwickshire Police	289.71	13.00	4.70
11	Leicestershire Police	286.23	13.00	4.76
12	Cambridgeshire Police	285.48	12.96	4.76
13	Nottinghamshire	282.15	12.96	4.81
14	Humberside Police	281.18	12.99	4.84
15	Derbyshire Police	279.60	13.00	4.88
16	Avon & Somerset Police	279.20	13.00	4.88
17	West Mercia Police	277.50	13.00	4.91
18	Suffolk Police	275.58	12.96	4.93
19	Devon & Cornwall Police	274.50	12.94	4.95
20	Staffordshire	273.57	13.00	4.99
21	Thames Valley Police	269.28	13.00	5.07
22	Wiltshire Police	269.27	13.00	5.07
23	Durham Police	268.24	13.00	5.09
24	Bedfordshire Police	265.09	13.00	5.16
25	Merseyside	264.97	13.00	5.16
26	Lancashire Police	263.40	11.95	4.75
27	Cheshire Police	262.94	12.50	4.99
28	<b>Hampshire &amp; IoW</b>	<b>261.46</b>	<b>10.00</b>	<b>3.98</b>
29	Greater Manchester	256.30	13.00	5.34
30	Kent Police	256.15	13.00	5.35
31	Sussex Police	252.91	13.00	5.42
32	South Yorkshire	251.04	13.00	5.46
33	Hertfordshire Police	251.00	13.00	5.46
34	West Yorkshire	249.28	13.00	5.50
35	Essex Police	246.42	12.96	5.55
36	West Midlands	215.55	13.00	6.42
37	Northumbria	181.84	13.00	7.70
	Average	274.10		



## Appendix D

### Budget 2025/26 and Medium Term Financial Strategy

Medium Term Financial Strategy	Starting Budget 2025/26	Inflation	Efficiency Savings	Growth & Budget Pressure	Funding Changes	Forecast Budget 2025/26	Forecast Budget 2026/27	Forecast Budget 2027/28	Forecast Budget 2028/29
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Funding:</b>									
Expected amount from General Grants	(237,200)	0	0	0	(8,752)	(245,952)	(250,871)	(255,888)	(261,006)
Council tax freeze and benefit grant	(12,944)	0	0	0	0	(12,944)	(12,944)	(12,944)	(12,944)
Pension Grant	(9,800)	0	0	0	715	(9,085)	(9,085)	(9,085)	(9,085)
Uplift Grant	(11,000)	0	0	0	1,921	(9,079)	(9,079)	(9,079)	(9,079)
Additional Recruitment Top Up	(3,120)	0	0	0	(1,674)	(4,794)	(4,794)	(4,794)	(4,794)
National Insurance Contribution	0	0	0	0	(5,838)	(5,838)	(5,838)	(5,838)	(5,838)
Neighbourhood Policing Grant	0	0	0	0	(5,188)	(5,188)	(5,188)	(5,188)	(5,188)
Council tax precept	(187,900)	0	0	0	(12,847)	(200,747)	(205,764)	(210,907)	(216,178)
Council tax collection fund surplus	(1,480)	0	0	0	(384)	(1,864)	0	0	0
<b>Total amount funding expected:</b>	<b>(463,444)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(32,047)</b>	<b>(495,491)</b>	<b>(503,563)</b>	<b>(513,724)</b>	<b>(524,112)</b>
<b>Expenditure owned by the PCC:</b>									
Executive	1,344	0	0	3	0	1,347	1,365	1,383	1,401
PCC Business	1,629	10	(126)	105	0	1,619	1,651	1,684	1,717
Commissioning CJ & Partnerships	4,544	0	(60)	7	0	4,491	4,590	4,613	4,638
Estates	24,490	1,423	(110)	248	0	26,050	26,757	27,485	28,236
Interest on Balances	(2,000)	0	0	0	0	(2,000)	(1,250)	(1,250)	(1,250)
Capital Financing	5,158	0	(517)	0	0	4,641	4,641	4,641	4,641
Reserve Transfers	12,037	0	0	3,514	0	15,551	11,700	11,539	11,573
<b>Net Expenditure owned by Office of the PCC</b>	<b>47,202</b>	<b>1,433</b>	<b>(813)</b>	<b>3,876</b>	<b>0</b>	<b>51,699</b>	<b>49,454</b>	<b>50,094</b>	<b>50,955</b>
<b>Police Services</b>									
<b>Expenditure:</b>									
Employees	356,543	10,810	(146)	13,174	0	380,380	392,100	399,928	409,793
Indirect Employee Costs	6,367	0	(2)	0	0	6,365	6,454	6,544	6,636
Premises	1,046	11	(1)	265	0	1,321	1,254	1,394	1,425
Transport	8,353	9	(121)	180	0	8,421	8,636	8,886	9,144
Supplies and Services	21,455	585	(234)	169	0	21,974	27,384	32,772	38,285
Third Party Payments & Support Service	76,771	1,833	(10)	260	0	78,853	80,557	82,036	83,526
<b>Total Expenditure on Police Services:</b>	<b>470,534</b>	<b>13,248</b>	<b>(514)</b>	<b>14,047</b>	<b>0</b>	<b>497,315</b>	<b>516,384</b>	<b>531,560</b>	<b>548,809</b>
<b>Income:</b>									
Fees & Charges	(11,474)	(77)	(1)	0	0	(11,552)	(12,042)	(11,854)	(12,350)
Grants & Contributions	(41,929)	(39)	(5)	0	0	(41,972)	(42,699)	(43,440)	(44,195)
<b>Total Income on Police Services:</b>	<b>(53,402)</b>	<b>(116)</b>	<b>(6)</b>	<b>0</b>	<b>0</b>	<b>(53,524)</b>	<b>(54,741)</b>	<b>(55,295)</b>	<b>(56,545)</b>
<b>Net Expenditure on Police Services:</b>	<b>417,132</b>	<b>13,132</b>	<b>(520)</b>	<b>14,047</b>	<b>0</b>	<b>443,792</b>	<b>461,643</b>	<b>476,266</b>	<b>492,263</b>
<b>Net Expenditure on PCC and Police Services</b>	<b>464,334</b>	<b>14,565</b>	<b>(1,332)</b>	<b>17,923</b>	<b>0</b>	<b>495,491</b>	<b>511,097</b>	<b>526,360</b>	<b>543,219</b>
<b>Budget (surplus)/ shortfall:</b>	<b>890</b>	<b>14,565</b>	<b>(1,332)</b>	<b>17,923</b>	<b>(32,047)</b>	<b>0</b>	<b>7,535</b>	<b>12,636</b>	<b>19,106</b>

## Appendix E

### Detailed explanation of revenue budget investment

- 1.1. As set out in the report, the revenue budget pressures and growth for 2025/26 total **£17.9m** as shown in the table below. They include the rolling forward of the three-year plans for investment that were set out in the Budget report in the last two years. The table below summarises the budget pressures with further detail provided below for each of those headings.

	<b>25/26</b> <b>£</b>	<b>26/27</b> <b>£</b>	<b>27/28</b> <b>£</b>	<b>28/29</b> <b>£</b>
<b>Ongoing budget</b>	<b>14,626,500</b>	<b>19,635,500</b>	<b>24,586,900</b>	<b>29,653,400</b>
<b>One-off budget</b>	<b>3,297,000</b>	<b>150,000</b>	<b>-150,000</b>	<b>-184,700</b>
<b>Total</b>	<b>17,923,500</b>	<b>19,785,500</b>	<b>24,436,900</b>	<b>29,468,700</b>

### Ongoing costs

Ongoing budget	25/26 £	26/27 £	27/28 £	28/29 £
National Insurance	6,600,000	6,600,000	6,600,000	6,600,000
Police officers	5,594,000	5,594,000	5,594,000	5,594,000
Safeguarding MASH	380,600	371,600	371,600	371,600
Vetting	326,400	319,400	319,400	319,400
End user devices	295,000	295,000	295,000	295,000
Bail Team	263,000	255,400	255,400	255,400
Estates	247,800	247,800	247,800	247,800
Taser training	184,200	181,200	181,200	181,200
Security	150,000	150,000	150,000	150,000
Personal safety	145,000	118,000	118,000	118,000
Health & safety	123,600	120,600	120,600	120,600
OPCC Business	114,700	114,700	114,700	114,700
Vehicle techs	103,500	103,500	103,500	103,500
Drones	98,700	88,700	40,100	106,600
Appropriate adults	0	75,600	75,600	75,600
General growth	0	5,000,000	10,000,000	15,000,000
<b>Total</b>	<b>14,626,500</b>	<b>19,635,500</b>	<b>24,586,900</b>	<b>29,653,400</b>

## 2. Ongoing Costs

- 2.1. **National Insurance Contributions** – The Chancellor announced in the Autumn Budget that the thresholds and tax rates will change from 1 April 2025 for employers' national insurance contributions. This policy change results in an increase in cost estimated at £6.6m. The additional cost is partially offset by a new grant of £5.8m receivable.

	25/26	26/27	27/28	28/29
Budget (£)	6,600,000	6,600,000	6,600,000	6,600,000

- 2.2. **Additional Police Officers** – The increases in police officers and the change to the new area based operating mode is delivering improved performance but demand continues to grow so further investment in officers is required to be able to service Grade 1 immediate calls for service as well as enhance the existing Local Bobby scheme. The increase also includes an additional Assistant Chief Constable post to oversee delivery and chair misconduct hearings. There is provision for **90 additional police officers** in the revenue budget.

	25/26	26/27	27/28	28/29
Budget (£)	5,594,000	5,594,000	5,594,000	5,594,000

- 2.3. **Safeguarding Staff Uplift (MASH & Conference Team)** – To enhance staffing levels, optimise processes, and improve inter-agency communication to ensure timely and effective safeguarding of vulnerable individuals. The requirement to achieve this is 9 police staff including 2 MASH Decision Makers (already temp funded) and 5 MASH Coordinators. Also the addition of one Co-ordinator and one Conference Attender to the Conference Team.

	25/26	26/27	27/28	28/29
Budget (£)	380,600	371,600	371,600	371,600

- 2.4. **Vetting** – Additional 8 staff to meet demand & reduce time taken to vet personnel to 30 working days.

	25/26	26/27	27/28	28/29
Budget (£)	326,400	319,400	319,400	319,400

- 2.5. **End User Devices** – Devices such as phones and laptops are now standard issue, so provision is required for the replacement cost and programmes of work for when contracts change.

	25/26	26/27	27/28	28/29
Budget (£)	295,000	295,000	295,000	295,000

- 2.6. **Bail Team** – To permanently establish the Force Bail Team and align increased capability to frontline Custody teams (7.6 police staff).

	25/26	26/27	27/28	28/29
Budget (£)	263,000	255,400	255,400	255,400



- 2.7. **Estates** – To fund rent and rates for new buildings, feasibility studies, cleaning of the firearms range and includes £100k for estimated ICT costs for estate works.

	25/26	26/27	27/28	28/29
Budget (£)	247,800	247,800	247,800	247,800

- 2.8. **Taser training** – An increase in 3 police officer taser trainers is required in order to satisfy new requirements set out by the College of Policing.

	25/26	26/27	27/28	28/29
Budget (£)	184,000	181,000	181,000	181,000

- 2.9. **Security** – a security maintenance budget is required to be able to fix and replace security apparatus such as CCTV when required.

	25/26	26/27	27/28	28/29
Budget (£)	150,000	150,000	150,000	150,000

- 2.10. **Personal Safety Training** – Venue, equipment and transport due to College of Policing increase to 2 days.

	25/26	26/27	27/28	28/29
Budget (£)	145,000	118,000	118,000	118,000

- 2.11. **Health & Safety Team and Accident Management System** – One police officer and one police staff added to the team required to meet statutory responsibilities and software licence increase of £25k pa

	25/26	26/27	27/28	28/29
Budget (£)	123,600	120,600	120,600	120,600

- 2.12. **OPCC Business, Executive and Commissioning costs** – The main cost being £99k pa for audit related costs for valuations and audit fees.

	25/26	26/27	27/28	28/29
Budget (£)	114,700	114,700	114,700	114,700

- 2.13. **Vehicle Technician Pay** – Pay increase after review of grade. 5 out of 18 Technician posts vacant linked to a national shortage.

	25/26	26/27	27/28	28/29
Budget (£)	103,500	103,500	103,500	103,500

- 2.14. **Drones** – Minimum increase in equipment, training and insurance required in order to maintain a drone capability due to new Civil Aviation Authority regulations. The funding provides for

	25/26	26/27	27/28	28/29
Budget (£)	98,700	88,700	40,100	106,600

- 2.15. **Appropriate adults** – funding required to ensure that service levels are maintained despite withdrawal of funding from local authorities.

	24/25	25/26	26/27	27/28
Budget (£)	0	75,600	75,600	75,600

- 2.16. **Unallocated growth** – As in previous years, an unallocated sum of an additional £5m pa is included in the medium term projections to reflect the fact that increases are required each year.

	24/25	25/26	26/27	27/28
Budget (£)	0	5,000,000	10,000,000	15,000,000

### One-off costs

One-off budget	25/26 £	26/27 £	27/28 £	28/29 £
Windows 11	1,068,600	22,400	0	0
Telematics	675,400	0	0	0
Info Mgmt Compliance	181,000	151,700	-34,700	-34,700
DEVA 2	267,800	312,000	-150,000	-150,000
Partnership Together	220,200	0	0	0
Gov Wifi	211,700	0	0	0
People moves	88,400	88,400	0	0
Absolute Secure Access	60,400	64,700	69,000	0
Later one-off costs	523,500	-489,200	-34,300	0
<b>Total</b>	<b>3,297,000</b>	<b>150,000</b>	<b>-150,000</b>	<b>-184,700</b>

### 3. One-off costs

- 3.1. **Windows 11** – The current operating system must be upgraded to Windows 11 or it will become de-supported and will face higher licence costs from Microsoft. All linked systems will need to be tested for compatibility. One-off project.

	25/26	26/27	27/28	28/29
Budget (£)	1,068,600	22,400	0	0

- 3.2. **Telematics** – One-off funding to replace INCA2 as it is no longer supported. Telematics provides an array of data that can be utilised to improve vehicle availability, save costs and improve driver behaviour. The ability to understand how vehicles are being used will also be crucial for sustainability so that the correct vehicles and chargers can be put in place.

	25/26	26/27	27/28	28/29
Budget (£)	675,400	0	0	0

- 3.3. **Information Management Compliance** – One-off project to address high-risk non-compliance with FOI, Data Protection, Management of

Police Information and Investigatory Powers Commissioner obligations & National Enabling Programme security requirements.

	25/26	26/27	27/28	28/29
Budget (£)	181,000	151,700	-34,700	-34,700

- 3.4. **DEVA 2** – Phase 2 of the DEVA programme will move the storage of data retrieved from seized devices to the cloud environment to comply with accreditation requirements and making the data easier to access and retrieve. That will deliver savings by not having to replace servers.

	25/26	26/27	27/28	28/29
Budget (£)	267,800	312,000	-150,000	-150,000

- 3.5. **Modernising Partnership Together** – One-off programme to automate data sharing with partners through a Common Data Platform to achieve compliance with obligations under The Serious Violence Duty to inform decision-making. The platform is designed to be "self-serve first" and has the potential to reduce the burden of providing data.

	25/26	26/27	27/28	28/29
Budget (£)	220,200	0	0	0

- 3.6. **Gov Wifi** – Further one-off funding to complete the rollout of Gov wifi to the remaining critical sites.

	25/26	26/27	27/28	28/29
Budget (£)	211,700	0	0	0

- 3.7. **People moves and changes** – Small temporary team to facilitate moving of personnel around buildings to allow estate works to be undertaken.

	25/26	26/27	27/28	28/29
Budget (£)	88,400	88,400	0	0

- 3.8. **Absolute Secure Access** – Software licence increase for essential application to remotely access police networks.

	25/26	26/27	27/28	28/29
Budget (£)	60,400	64,700	69,000	0

- 3.9. **Later One-Off Costs** – Funding is set aside to pay for one-off costs that are approved in this budget but are incurred in future financial years, so that the whole of those one-off costs are fully funded.

	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>
Budget (£)	523,500	-489,200	-34,300	0

## Capital Programme

Capital Programme	2025-26	2026-27	2027-28
	£m	£m	£m
<b>Capital Expenditure:</b>			
Estates	10.8	23.3	25.0
Vehicles	5.0	5.0	5.0
<b>Total Expenditure</b>	<b>15.8</b>	<b>28.3</b>	<b>30.0</b>
<b>Funded by:</b>			
Capital receipts	(1.5)	0.0	0.0
Estates Reserves	(9.3)	(23.3)	(25.0)
Vehicle replacement revenue cont	(4.0)	(4.0)	(4.0)
Vehicle replacement reserve	(1.0)	(1.0)	(1.0)
Borrowing	0.0	0.0	0.0
<b>Total funding</b>	<b>(15.8)</b>	<b>(28.3)</b>	<b>(30.0)</b>

**Capital and Investment Strategy 2025/26 to 2027/28**

**1 Introduction**

- 1.1 The Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of the services within the PCC's remit, including policing, and provides an overview of how associated risk is managed and the implications for future financial sustainability.

**2 Governance**

- 2.1 The PCC's medium term financial strategy ensures that we continue to invest wisely in our existing assets and deliver a programme of new assets in line with overall priorities set out in the Police and Crime Plan.
- 2.2 The major area of PCC capital expenditure is the estate which is monitored and reviewed by the Estates Board. Other areas of the capital programme are kept under review by the Chief Finance Officer.
- 2.3 In accordance with the medium-term financial strategy, proposed programmes are scrutinised on a case-by-case basis to assess affordability. The final capital programme is then presented to the PCC in February each year for approval as part of the budget and overall MTFS.

**3 Capital expenditure and financing**

- 3.1 Capital expenditure is what the PCC spends on assets, such as land, property and vehicles, which will be used for more than one year.
- 3.2 There is no capital grant awarded to PCC's but capital expenditure may be funded from capital receipts and directly from revenue. The pressures on the PCC's revenue budget limits the extent to which this may be exercised as a source of capital funding.
- 3.3 Prudential borrowing does provide an option for funding additional capital expenditure but results in borrowing costs that have to be funded each year from within the revenue budget or from generating additional ongoing income streams.
- 3.4 Given the pressure on the PCC's revenue budget in future years, there are currently no plans to incur any new borrowing to progress schemes in cases where there was a clear service or financial benefit.

- 3.5 The following table shows forecast capital expenditure and the resources available to fund this expenditure.

**Table – Forecast capital expenditure**

Capital Programme	2025-26	2026-27	2027-28
	£m	£m	£m
<b>Capital Expenditure:</b>			
Estates	10.8	23.3	25.0
Vehicles	5.0	5.0	5.0
<b>Total Expenditure</b>	<b>15.8</b>	<b>28.3</b>	<b>30.0</b>
<b>Funded by:</b>			
Capital receipts	(1.5)	0.0	0.0
Estates Reserves	(9.3)	(23.3)	(25.0)
Vehicle replacement contribution	(4.0)	(4.0)	(4.0)
Vehicle replacement reserve	(1.0)	(1.0)	(1.0)
Borrowing	0.0	0.0	0.0
<b>Total funding</b>	<b>(15.8)</b>	<b>(28.3)</b>	<b>(30.0)</b>

- 3.6 The most significant element of the PCC's capital programme is related to improving the Estate in support of operational policing. There is also a £5m annual vehicle replacement programme, funded by a contribution from the revenue budget of £4m and £1m pa funding from the Vehicle Replacement Reserve.

### **Capital financing**

- 3.7 All capital expenditure must be financed, either from external sources (e.g. capital grant), the PCC's own resources (e.g. revenue contributions), or debt. Debt is only a temporary source of funding and is replaced over time by other financing, usually from revenue through annual Minimum Revenue Provision (MRP) charges. External debt will also incur interest costs. The PCC's borrowing strategy forms part of the Treasury Management Strategy.
- 3.8 The capital programme is fully funded by capital receipts and revenue contributions over the next 3 years. There is no requirement to borrow at this stage, although the revenue budget has made provision for future borrowing should this be required.

### **Asset management and disposal**

- 3.9 Asset management for the PCC's estate is conducted by the Estates team. Vehicles are managed by the Constabulary's Transport Department.
- 3.10 Capital receipts are generated when a capital asset is sold. The proceeds are used to fund new capital assets or to repay debt. The PCC has relatively limited opportunities to generate capital receipts. The PCC's financial regulations set out that the PCC is required to approve the sale and purchase of all land and buildings.



#### **4. Prudence and affordability**

4.1 The PCC is required to ensure that capital expenditure, investment and borrowing decisions are prudent, sustainable and affordable. There are a number of prudential indicators that must be set and monitored to help with this requirement, which are set out in the Prudential Code. The prudential indicators cover:

- Capital expenditure
- External debt
- Affordability

4.2 The Prudential Code sets out that certain acts and practices are not prudent activity for a PCC and incur risk to the affordability of local authority investment. The PCC will not therefore:

- Borrow to invest primarily for financial return
- Make investment or spending decisions that increase the Capital Financing Requirement (CFR) unless directly and primarily related to the functions of the PCC. Any financial returns should either be related to the financial viability of the project or incidental to the primary purpose.

#### **Prudential borrowing**

4.3 It is important that the use of prudential borrowing is closely controlled and monitored. The PCC will only use prudential borrowing where there is a clear financial case to support doing so, but will not borrow to invest primarily for financial return to retain full access to funding via the Public Works Loan Board (PWLB).

#### **Ensuring borrowing is only for capital purposes**

4.4 The CFR is the cumulative outstanding amount of debt finance. The CFR increases with new debt-funded capital expenditure and reduces through annual Minimum Revenue Provision (MRP) charges to the revenue budget and any capital receipts or other contributions used to replace debt.

4.5 IFRS16 accounting standards were implemented from 1 April 2024. This places an asset value onto the balance sheet for qualifying items that are leased, for example accommodation. There is no additional budget required because the existing lease payments are already budgeted for on a revenue basis.

4.6 The Prudential Code states that a PCC must ensure that gross debt is only for capital purposes over the medium term, which means that gross external debt must not exceed the total of the CFR from the preceding year plus the estimates of any additional CFR for the current and next two financial years, except in the short term. This is a key indicator of prudence and is shown in the table below.

**Table – Ensuring Borrowing is Only for Capital Purposes (Prudential Indicator)**

	31/03/2024 Actual £m	31/03/2025 Estimate £m	31/03/2026 Forecast £m	31/03/2027 Forecast £m	31/03/2028 Forecast £m
<b>Capital Financing Requirement</b>	<b>51.1</b>	<b>74.1</b>	<b>71.1</b>	<b>68.3</b>	<b>65.7</b>
Other debt liabilities:					
- Leases	-1.0	-25.8	-24.3	-23.2	-22.2
External borrowing:					
- Public Works Loans Board	-19.4	-19.0	-19.0	-19.0	-19.0
<b>Total Debt</b>	<b>-30.76</b>	<b>-29.4</b>	<b>-27.7</b>	<b>-26.1</b>	<b>-24.5</b>

4.7 Total debt is expected to remain below the CFR during the forecast period. The estimates for CFR and debt reflect the introduction of IFRS 16 (the new accounting standard for leases) from April 2024 but the introduction of IFRS16 does not have a cash impact.

4.8 External debt is expected to remain below the CFR because of the PCC's borrowing strategy, whereby internal funding has been used to fund capital expenditure in place of borrowing money from external sources on the advice of the treasury management advisors, Arlingclose.

4.9 The PCC is not expecting to undertake new external borrowing to support the capital programme plans over the next 3 years. Should this position change, then the timing and source of borrowing will be determined in line with the Treasury Management Strategy and upon taking advice from Arlingclose.

#### **Liability benchmark**

4.10 The Liability benchmark compares planned/actual borrowing with an alternative strategy where cash and investment balances are kept to a minimum to reduce borrowing. More detail is provided in the Treasury Management Strategy.

4.11 It is an important tool to help establish whether the PCC is likely to be a long-term borrower or long-term investor in the future, and so shape the strategic planning and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the PCC must hold to fund current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

4.12 The liability benchmark is the lowest level of debt the PCC could hold if all balances, reserves and cash flow surpluses were used to fund the CFR. The PCC expects a negative liability benchmark across the first four years of the forecast period, which means that currently there is not a requirement to borrow during this period.

**Table- Liability benchmark**

	31/03/24 Actual £m	31/03/25 Estimate £m	31/03/26 Forecast £m	31/03/27 Forecast £m	31/03/28 Forecast £m
Loans CFR	50.0	48.4	46.7	45.1	43.5
Less: Balance sheet resources	(125.1)	(124.9)	(116.1)	(92.8)	(58.8)
<b>Net loans requirement</b>	<b>(75.1)</b>	<b>(76.5)</b>	<b>(69.4)</b>	<b>(47.7)</b>	<b>(15.3)</b>
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
<b>Liability benchmark</b>	<b>(65.1)</b>	<b>(66.5)</b>	<b>(59.4)</b>	<b>(37.7)</b>	<b>(5.3)</b>

### **Affordable borrowing limit**

- 4.13 The PCC is legally obliged to set an Authorised Limit for the maximum affordable amount of external debt. In line with statutory guidance, a lower 'Operational Boundary' is also set as a warning level should debt approach the limit. The Operational Boundary is based on the PCC's estimate of the most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the PCC's estimates of capital expenditure, the CFR and cash flow requirements, and is a key management tool for in-year monitoring.

	31/03/25 Estimate £m	31/03/26 Estimate £m	31/03/27 Estimate £m	31/03/28 Estimate £m
<b><i>Authorised Limit:</i></b>				
Borrowing	84.8	83.2	81.5	79.9
Leases	25.8	24.3	23.2	22.2
<b>Authorised Limit</b>	<b>110.6</b>	<b>107.5</b>	<b>104.7</b>	<b>102.2</b>
<b><i>Operational Boundary:</i></b>				
Borrowing	67.1	65.5	63.8	62.2
Leases	25.8	24.3	23.2	22.2
<b>Operational Boundary</b>	<b>92.9</b>	<b>89.8</b>	<b>87.0</b>	<b>84.4</b>

### **Affordability of financing costs**

- 4.14 Capital expenditure is not charged directly to the revenue budget, however, the interest payable on loans and the annual MRP are charged to revenue, as are other financing costs such as interest payable under finance leases and amounts relating to the early settlement of borrowing. In aggregate these costs are known as financing costs. The impact of these costs needs to be well understood prior to making capital investment decisions and then closely monitored.
- 4.15 The table below shows the proportion of the PCC's net revenue stream (Council Tax and government grants through the Police Grant settlement) required to meet financing costs. This is an indicator of the affordability of the PCC's capital programme.

**Table: Ratio of Financing Costs to Net Revenue Stream (Prudential Indicator)**

	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>	<b>2027/28 Estimate</b>
Ratio	1.24%	0.90%	0.66%	0.60%

- 4.16 A low proportion is forecast, demonstrating that the cost of financing is minimised and the proportion of the revenue budget available for delivering services is maximised.

**Reliance on income from commercial and service investments**

- 4.17 The update to the Prudential Code in 2021 introduced a new prudential indicator intended to show how reliant a local authority is on income from commercial and service investments, and therefore how exposed the authority is to the loss of this income. The PCC does not have any investments classified as commercial or service investments.

**Table: Net Income from Commercial and Service Investments to Net Revenue Stream (Prudential Indicator)**

	<b>2023/24 Revised</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>
Ratio	0.0%	0.0%	0.0%	0.0%

**5. Minimum Revenue Provision (MRP) Statement**

- 5.1 Where the PCC finances capital expenditure by debt, statutory guidance requires an amount to put aside from revenue resources to repay that debt in later years, known as MRP. The Local Government Act requires the PCC to have regard to proper practice as issued by Government. The Department for Levelling Up, Housing and Communities has been consulting on proposed changes to the relevant regulations to ensure that all authorities make adequate revenue provision.
- 5.2 The broad aim of the guidance is to ensure that capital expenditure is financed over a period that is reasonably commensurate with the time that the capital expenditure provides benefits or, in the case of borrowing supported by Government Revenue Support Grant (RSG), reasonably commensurate with the period implicit in the determination of that grant.
- 5.3 The guidance requires the PCC to approve an Annual MRP Statement each year, and whilst it provides a range of options for the calculation of MRP, the guidance also notes that other options are permissible provided that they are fully consistent with the statutory duty to make prudent revenue provision.
- 5.4 The four MRP options provided are:
- Option 1: Regulatory Method
  - Option 2: CFR Method (4% of the CFR)
  - Option 3: Asset Life Method

- Option 4: Depreciation Method

- 5.5 Options 1 and 2 may be used only for supported capital expenditure funded from borrowing (i.e. financing costs deemed to be supported through the RSG from central government). Methods of making prudent provision for unsupported capital expenditure are restricted to Options 3 and 4 (which may also be used for supported capital expenditure if the PCC chooses).
- 5.6 The PCC will continue to apply Option 2 in respect of supported capital expenditure funded from borrowing with an MRP charge equal to 4% of the CFR balance in respect of that expenditure.
- 5.7 The PCC will continue to apply Option 3 in respect of unsupported capital expenditure funded by borrowing by charging MRP over the expected useful life of the relevant assets in equal instalments.
- 5.8 For assets acquired by leases, MRP will be determined to be equal to the element of the rent or charge that goes to write down the balance sheet liability.
- 5.9 The adoption of the new accounting standard for leases (IFRS 16) means that former operating leases were brought onto the balance sheet from 1 April 2024. Where this is the case, the annual MRP charge will be set so that the total charge to the revenue budget remains unaffected by the new accounting standard.
- 5.10 Capital expenditure will not be subject to MRP charges until the year after the expenditure takes place.
- 5.11 Based on the PCC's latest estimate of CFR on 31 March 2025, the budget for MRP has been set as follows:

**Table: MRP Budget**

	2025/26 Estimated MRP £M
Supported Capital Expenditure	0.3
Unsupported Capital Expenditure After 31/03/2008	1.4
BT Lease	0.2
IFRS 16 lease charges	1.2
<b>Total General Fund</b>	<b>3.0</b>

## 6. Treasury Management

- 6.1. The Treasury Management Strategy (TMS) supports the Capital and Investment Strategy in setting out the arrangements for the management of the PCC's cash flows, borrowing and investments, and the associated risks.
- 6.2. Treasury management is concerned with keeping sufficient but not excessive cash available to meet the PCC's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.

- 6.3. The PCC has potentially large exposures to financial risks through its investment and borrowing activity, including the loss of invested funds and the effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the PCC's Treasury Management Strategy (TMS).
- 6.4. The PCC's TMS, is approved by the PCC each year. Actual performance is reviewed by the PCC at mid-year and the end of each financial year. Reports are submitted to the Joint Audit Committee so that they can also provide views and comment to the PCC.
- 6.5. Treasury Management prudential indicators are included within the Treasury Management Strategy.

#### **Treasury management borrowing strategy**

- 6.6. The PCC's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans, should the PCC's long-term plans change, is a secondary objective.

#### **Treasury management investment strategy**

- 6.7. The CIPFA Code requires the PCC to invest funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The PCC's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 6.8. The contribution that these investments make to the objectives of the PCC is to support effective treasury management activities.
- 6.9. The PCC's actual and forecast treasury management investment balances are shown in the table below with further detail in the TMS.

**Table: Existing Investment & Debt Portfolio Position at 31 December 2024**

**Treasury investment position**

<b>Investments</b>	<b>30/09/24 Balance</b>	<b>Net movement</b>	<b>31/12/24 Balance</b>	<b>31/12/24 Income return</b>	<b>31/12/24 Weighted average maturity years</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>	
<b>Short term investments</b>					
Banks and building societies:					
- Unsecured	7.8	4.7	12.4	4.68	0.02
- Secured	5.0	0.0	5.0	4.31	0.18
- High quality	14.5	(9.5)	5.0	5.65	0.65
Money Market Funds	49.1	(21.3)	27.8	4.73	0.00
Government:					
- Local authorities	39.5	0.0	39.5	4.92	0.42
- Treasury bills	5.0	10.0	15.0	4.84	0.05
- Supranational bonds	9.0	(2.0)	7.0	4.95	0.67
<b>TOTAL</b>	<b>129.9</b>	<b>(18.1)</b>	<b>111.8</b>	<b>4.71</b>	<b>0.00</b>
<b>Long term investments</b>					
Banks and building societies:					
- High quality	9.0	5.0	14.0	4.98	1.14
Registered providers*	0.0	0.0	0.0	N/A	N/A
Government:					
- Supranational bonds	12.0	(3.0)	9.0	4.81	2.32
Pooled funds:					
- Pooled property**	4.0	0.0	4.0	5.22	N/A
- Pooled equity**	1.0	0.0	1.0	7.36	N/A
<b>TOTAL</b>	<b>26.0</b>	<b>2.0</b>	<b>28.0</b>	<b>5.04</b>	<b>1.32</b>
<b>TOTAL INVESTMENTS</b>	<b>155.8</b>	<b>(16.1)</b>	<b>139.8</b>	<b>4.88</b>	<b>0.45</b>

\* A revolving credit facility of £5m is in place with a registered provider, currently not drawn. This agreement provides the PCC with a non-utilisation fee of 0.30% per annum by reference to the undrawn amounts of the Facility.

\*\* The rates provided for pooled fund investments are reflective of annualised income returns over the year to 31 December 2024 based on the market value of investments 12 months earlier.

**Pooled fund investments**

6.10. The PCC holds reserves for a number of purposes, which are explained in more detail in the Reserves Strategy. Where the PCC holds surplus cash, it is invested until it is required, in accordance with the PCC's TMS. This includes allocating a proportion to investments in pooled funds where these offer the best option.

- 6.11. These investments help the PCC to mitigate interest rate and inflation risks as part of its TMS. They also present a number of risks which must be carefully managed, including the risk of loss of capital, illiquidity, entry and exit fees, and volatility of returns.
- 6.12. The principal mitigation for risk is ensuring that investments in non-cash assets are held as long-term investments. This will enable the initial costs of any investment and any periods of falling capital values to be overcome. In order to be managed as long-term investments, the amounts invested need to be taken from the PCC's most stable cash balances. The allocation of £10m has been based on a prudent assessment of the PCC's investment balances and liquidity requirements,
- 6.13. The selection of investments to target higher yields is carefully managed with the assistance of Arlingclose, the PCC's treasury management advisor. Arlingclose recommends that the PCC diversifies its investments in pooled funds between asset classes. This is to mitigate the loss of capital value, so that there is no over exposure to an event that impacts the value of investments in a particular asset class, such as a fall in property prices.
- 6.14. The PCC utilises pooled investment vehicles as the most appropriate means to access asset classes such as property or equities. Pooled funds are managed by external specialist investment managers who are best placed to select investments and then manage them, for example for property investments managing the relationship with tenants and maintenance of the building.

#### **Other Information on the security of investments**

- 6.15. The PCC understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the PCC's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- 6.16. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the PCC will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the PCC's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office, or invested in government treasury bills for example, or with other local authorities. This will likely lead to investment returns falling but will protect the principal sum invested.



## Reputational aspects

- 6.17. The PCC is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

## Liquidity management

- 6.18. The PCC has due regard for its future cash flows when determining the maximum period for which funds may prudently be committed. Historical cash flows are analysed in addition to significant future cash movements, such as payroll, grant income and council tax precept. Limits on long-term investments are set by reference to the PCC's medium term financial position and forecast short-term balances. The Chief Finance Officer will continue to review cashflows and overall reserves and balances throughout the financial year.
- 6.19. The PCC will spread liquid cash over at least four providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider, except in cases of extreme market stress whereby the PCC will be able to invest all of its liquid cash in one provider only, being the Debt Management Office.

## 7. Service and commercial investments

- 7.1. The Ministry of Housing, Communities and Local Government (MHCLG) issued statutory guidance on local government investments in 2018. The PCC is required to have regard to this guidance, which complements both the Prudential Code and Treasury Management Code. The update to the guidance in 2018 reflected changes in patterns of local authority behaviour that were considered to be exposing local authorities to too much financial risk, with insufficient transparency and the potential for insufficient expertise in understanding complex transactions being entered into.
- 7.2. The term 'investments' within the Prudential Code covers all financial investments of the authority as well as other assets held primarily for financial return, such as commercial property. The MHCLG definition goes slightly further in including all non-financial assets that the organisation holds primarily or partially to generate a profit. The MHCLG guidance states that assets that generate revenue income solely through fees and charges for discretionary services levied under Section 93 of the Local Government Act 2003 should not be classified as non-financial investments for this purpose.
- 7.3. Investments are categorised in accordance with the primary purpose of the investment. All of the PCC's investments are defined as **treasury management investments** and therefore covered by Section 6 of this document and the Treasury Management Strategy.
- 7.4. The PCC primarily uses its property estate for the delivery of frontline services, with asset management conducted by the Estates team. Where practical and without having an operational impact, the PCC will look to use property assets to reduce the annual revenue cost of the estate and to

maximise the potential for income generation, for example through the use of vacant space.

- 7.5. The PCC is also pursuing a number of opportunities either through its land holdings or through the relationship it has with partners or contractors to look at new and innovative ways of generating a financial return. To date, the PCC has formed partnerships with other emergency services by sharing buildings.
- 7.6. **Investments for commercial purposes** are defined in the Prudential Code as being undertaken primarily for financial return but without being linked to treasury management activity or being part of service delivery. They are therefore additional investments taken voluntarily with the primary objective of generating a net financial return or profit. They will usually constitute capital expenditure. The income generated helps to deliver service objectives.
- 7.7. **Investments for service purposes** are those undertaken primarily and directly for the delivery of public services or in support of joint working with others to deliver such services. They will normally constitute capital expenditure and it may be appropriate to borrow to finance these investments. They may or may not deliver financial returns, but this will not be the primary purpose of the investment.
- 7.8. The PCC does not consider the use of its estate to constitute **commercial or service investments**. It has no assets classified on its balance sheet as investment properties and the income generated from allowing partners to use space within the PCC's buildings provides a contribution to offset costs being incurred by the PCC rather than to generate a profit.

#### **Investment indicators**

- 7.9. In addition to setting Prudential Indicators required by the Prudential Code, the PCC has also set the following quantitative investment indicators in accordance with the requirements of the MHCLG investment guidance.
- 7.10. The PCC expects all of investments to continue to be for treasury management purposes. If the PCC does plan to undertake any investments that would constitute commercial or service investments in future, the Capital and Investment Strategy will be updated and appropriate investment indicators introduced.

#### **Treasury Management Prudential Indicators**

- 7.11. The PCC measures and manages its exposures to treasury management risks using the following indicators.

#### **Interest rate exposures**

- 7.12. The following indicator shows the sensitivity of the PCC's current investments and borrowing to a change in interest rates. Fixed rate investments maturing during the year are assumed to be variable for the remainder of the year.

**Table: Interest rate risk indicator**

	31 December 2024 £m	Impact of +/-1% interest rate change £m
Sums subject to variable interest rates		
Investment	40.3	+/-0.4
Borrowing	0.4	+/-0.0

### **Maturity structure of borrowing**

- 7.13. This indicator is set to control the PCC's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

**Table: Maturity Structure of Borrowing**

	Upper	Lower
Under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	100%	0%
10 years and within 20 years	100%	0%
20 years and above	100%	0%

- 7.14. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

### **Principal sums invested for periods longer than a year**

- 7.15. The purpose of this indicator is to control the PCC's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

**Table: Price risk indicator**

	2025/26	2026/27	2027/28	No fixed date
Limit on principal invested beyond a year	£45m	£45m	£45m	£5m

## **8. Knowledge and skills**

- 8.1. Through the Hampshire Shared Services Partnership, the PCC is advised by professionally qualified and experienced staff in senior positions supporting capital expenditure, borrowing and investment decisions in accordance with approved strategies.
- 8.2. The Chief Financial Officer (S151 officer) and Deputy Chief Financial Officer (Deputy S151 officer) for the PCC are experienced members of the Chartered Institute of Public Finance and Accountancy (CIPFA), as is the Head of Investments and Borrowing, who oversees daily treasury management activity.
- 8.3. Performance against targets and learning and development needs are assessed annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.
- 8.4. Staff attend training courses, seminars and conferences provided by CIPFA, Arlingclose and other providers. Relevant staff are also encouraged to study professional qualifications from CIPFA, and other appropriate organisations.
- 8.5. CIPFA's Code of Practice requires that the PCC ensures that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. Members of the Joint Audit Committee (JAC) were invited to a workshop presented by Arlingclose, which gave an update of treasury matters. A further Arlingclose workshop is planned each year.

### **Investment Advisers**

- 8.6. Through the Hampshire Shared Services Partnership, the PCC has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled through quarterly review meetings with the Chief Finance Officer for the PCC, their staff, and Arlingclose.

## **9 Chief Finance Officer's Conclusion on the Affordability and Risk Associated with the Capital and Investment Strategy**

- 9.1. This Capital and Investment Strategy has been developed alongside the Treasury Management Strategy and the Reserves Strategy. Together, they form an integrated approach adopted by the PCC to balance the need for capital investment to support service priorities with consideration of affordability and the consequent impact on the revenue budget, whilst recognising and managing risk to an acceptable level.
- 9.2. The forward planning of capital investment and its funding, including being in a position to maximise the use of external grants, contributions and capital receipts, together with the process of regular monitoring of actual income, expenditure, and project progress, provides assurance to the Chief Financial Officer that the proposed Capital Programme is prudent, affordable and sustainable.

## **10 Links to Statutory Guidance and Other Information**

10.1. The Local Government Act 2003, Section 15(1) and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146] require Local Authorities to have regard to the following guidance:

- Ministry of Housing, Communities & Local Government (MHCLG) – Statutory Guidance on Local Government Investments\* [MHCLG Investment](#).
- Ministry of Housing, Communities & Local Government (MHCLG) – Statutory Guidance on Minimum Revenue Provision (MRP)
- CIPFA's Prudential Code
- CIPFA's Treasury Management Code

(\*Where a PCC prepares a Capital Strategy in line with the requirements of the Prudential Code, and a TMS in line with the requirements of the Treasury Management Code, the Investment Strategy can be published in those documents instead of as a separate document).

10.2. The PCC includes the non-treasury management Investment Strategy within this Capital Strategy. The TMS is a separate document reported to JAC and the PCC.

10.3. The proposed Capital Programme is included within the Budget Report.

# **RESERVES STRATEGY 2025/26**

# HAMPSHIRE & ISLE OF WIGHT POLICE AND CRIME COMMISSIONER

## 1. Background

- 1.1. The Reserves Profile shows that existing planned commitments will result in a forecast reduction of total reserves by March 2029 to £57m (down from £148m at the end of March 2024), of which the General Reserve would be £18m, which is just under 3.7% of the forecast 2025/26 revenue budget. This assumes that there are no adverse issues that impact on the General Reserve.
- 1.2. The Chief Finance Officer has a responsibility to ensure that the level of reserves maintained is sufficient. The Police Reform and Social Responsibility Act 2011 states that only the PCC, and not the Chief Constable, is permitted to hold reserves.
- 1.3. The Chartered Institute of Public Finance and Accountancy (CIPFA) and Government produce guidance on reserves, but the exact level of reserves to be held is left as a local decision due to the need to reflect individual circumstances. Whilst there are no firm requirements on the amount, it is clear that reserves must be held to ensure that the organisation is able to meet any unexpected liabilities. CIPFA warned that the use of reserves to deal with shortfalls in day-to-day spending would be a “recipe for significant financial problems”.

<https://www.gov.uk/government/publications/police-finance-reserves-guidance>

- 1.4. The current financial climate remains challenging, and there are a number of financial pressures and risks that need to be managed over the medium term, for which reserves are in place to mitigate. Reserves will also be required to support the significant investment required to deliver the Police and Crime Plan.
- 1.5. Reserves required for accounting purposes only are not covered by this strategy, as they are not optional and follow proper accounting practices.

## 2. Financial Stability

- 2.1. The level of reserves continues to be reviewed by the PCC, Chief Finance Officers and auditors to ensure that suitable reserves are in place to mitigate and manage the risk of the financial challenges faced, and to ensure that reserves are not unnecessarily held to the extent that is detrimental to current service delivery.
- 2.2. Reserves are necessarily and appropriately held as part of good strategic financial management and are a key element in supporting the PCC's medium-term planning and Medium Term Financial Strategy. Reserves are also a one-off resource, which unless replenished, can rapidly diminish.
- 2.3. In the medium term there is significant financial stress in the system to be managed, including:
  - i) funding the necessary investment to deliver a new PCC's ambition in relation to delivery of their Police and Crime Plan and commissioning of services

- ii) significant investment in the estate to open new front counters and provide suitable accommodation for the increasing numbers of officers and staff, in the locations that the Chief Constable requested to deliver operational priorities
  - iii) the still to be determined consequences of national programmes (e.g. ESMCP) which require a local funding stream for delivery of its outcomes as well as being subject to growing needs for top sliced contributions to deliver the national infrastructure
  - iv) the requirement to continue to fund ongoing costs of police operations
  - v) sinking funds to replace equipment such as body armour, marine unit and body worn video
  - vi) the significant investment required to embrace an ever evolving technology and digital landscape including providing funding for reprocurement of technology such as phones and laptops
- 2.4. In the medium term, without any capital grant, there will be a call on reserves to fund one off pressures, initiatives and investment.
- 2.5. The PCC has been able to fund the current priority growth/pressure items from within the revenue budget.
- 2.6. The PCC CFO's assessment is that:
- i) the level of the General Fund reserve is reflective of the overall risk environment in which the PCC operates
  - ii) the level of earmarked reserves and their purpose are necessary and appropriate
  - iii) reserves are prudent and necessary to meet the ongoing requirement for one off expenditure to meet the transformation required to ensure that in the years ahead the Constabulary remains a modern operationally effective police force.
  - iv) the overall level of reserves is appropriate given the known financial pressures and risks faced by the PCC.

### **3. Reserves**

- 3.1. The forecast Reserves position is set out in full in Appendix 1, with a snapshot of the position below which shows the position as at 31 March 2024, the forecast position as at 31 March 2025 and the forecast position through to the end of the medium term financial strategy as at 31 March 2029:



	Actual as at 31 March 2024	Forecast as at 31 March 2025	Forecast as at 31 March 2029
General Reserve	24.2	18.2	18.0
Earmarked Reserves	123.6	115.5	39.2
<b>Total Reserves available for use by the PCC to support Policing and 'Beyond Policing' to deliver the Police and Crime Plan</b>	<b>147.8</b>	<b>133.7</b>	<b>57.2</b>
Ring fenced Reserves held on behalf of others not available to spend by the PCC	7.1	4.2	4.2
<b>Total Reserves</b>	<b>154.9</b>	<b>137.9</b>	<b>61.4</b>

- 3.2. The table above shows that the reserves available to be used directly by the PCC to deliver the Police and Crime Plan will reduce considerably as the estate strategy delivered, technology enhancements are delivered.

### **Categorisation of Reserves**

- 3.3. The Reserves Guidance requests that reserves are split across the following headings:
- Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan
  - Funding for specific projects and programmes beyond the current planning period will currently be the balances remaining as at March 2028.
  - The general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management

The above split of reserves is shown in Appendix 1.

## **4. General Reserve**

- 4.1. The General Reserve is the main reserve held to manage unidentified and unforeseen risk. The PCC CFO is required to set a minimum level for the General Reserve.
- 4.2. General reserves are by nature 'not specific' (they are not earmarked), and are held to cover unforeseen risk and cost pressure, for example:
- cost of national programmes overrun;
  - uneven cash flows and managing the timing of savings;
  - unforeseen emergencies requiring significant one off spend e.g. a significant incident; or
  - demand pressures.

- 4.3. The General Reserve balance is forecast to be £18.1m at the end of March 2025. This equates to 3.8% of the 2025/26 net budget, which is within the 5% maximum set by the Minister of State for Crime and Policing.

## 5. Earmarked Reserves

In addition to the General Reserve, the PCC also holds a number of earmarked reserves, as set out below (the table shows the March 2024 balance, the forecast March 2025 balance and the forecast March 2029 balance, with more detail shown in Appendix 1):

	Actual as at 31 March 2024 £m	Forecast as at 31 March 2025 £m	Forecast as at 31 March 2029 £m
Carry Forward Reserve	0.0	0.1	0.0
Commissioner's Reserve	3.1	3.0	2.4
Council Tax Reserve	2.1	0.0	0.0
Estate Reserves	54.1	59.4	19.3
Grant Equalisation Reserve	3.0	3.0	3.0
Inflation Reserve	4.8	4.7	0.0
Insurance Reserve	1.5	1.5	1.5
Investment Risk Reserve	0.2	0.2	0.2
IT Services Reserve	26.8	25.6	4.9
Special Grant Reserve	8.6	7.6	0.0
Pension Remedy Reserve	2.7	0.6	0.0
Replacement Reserves	7.8	7.0	5.2
Revenue Grants Unapplied	0.3	0.3	0.3
Trading Reserves	3.4	2.3	2.3
Transformation Reserve	0.3	0.1	0.1
Uplift Reserve	4.9	0.0	0.0
<b>Total Earmarked Reserves</b>	<b>123.6</b>	<b>115.4</b>	<b>39.2</b>

### Earmarked Reserves

- 5.1. The PCC holds earmarked reserves for specific purposes. These are the:
- Carry Forward Reserve** holds funds approved for carry forward by the PCC as part of the annual outturn report.

- ii) **Commissioner's Reserve** holds amounts that are used specifically to support the Commissioner's priorities. This is intended to support programmes that support the delivery of the Police and Crime Plan.
- iii) **Council Tax Reserve** was created to hold the one-off Local Council Tax Support grant of £2.1m. This reserve will be closed and moved to fund estates.
- iv) **Estates Reserve** holds funds for the estates strategy including new front counters, new police stations, large repairs and maintenance projects, future potential dilapidations costs. Funding on estate was held back pending the New Area Model review for operational policing which changed the bases for policing functions to better align operational policing with local districts. That model has now been implemented and the Chief Constable is setting out the operational requirement for accommodation and facilities. The PCC will update the estate strategy and capital programme to facilitate the delivery of an estate to support the new operating model.
- v) **Grant Equalisation Reserve** will be used to offset and manage future uncertainty in the level of Police grant.
- vi) **Inflation Reserve** held to cover additional pressures from higher than expected inflation costs, particularly utilities.
- vii) **Insurance Reserve** holds funds available to pay for items that are not covered by the insurance contract. Analysis shows that it is more cost effective to hold a reserve for low risk and low probability events rather than pay an insurance premium to cover them.
- viii) **Investment Risk Reserve** holds funds received from interest receipts that may be required to offset capital debts when disinvestment takes place from investments.
- ix) **IT Services Reserve** holds funds set aside for IT refresh programmes (laptops/phones/BWV and servers) and the delivery of ESMCP. This ensures that there is always funding available to finance known cyclical replacement programmes.
- x) **Special Grant Reserve** for covering the costs of ongoing major policing operations.
- xi) **Pension Remedy Reserve** sets aside specific funding in recognition of the one-off costs that will arise from implementation of the McCloud/Sargeant pension remedy judgment impacting Police Pensions. It has been funded via a transfer from the General Fund reserve.
- xii) **Replacement Programme Reserve** holds funds available to offset the impact of large-scale equipment replacement such as the need to replace body armour when the warranty for body armour expires.

- xiii) **Trading Reserves** holds funds for specific areas of the Constabulary such as Netley Business Plan and Safer Roads. These areas generate income that is ring-fenced for specific usage.
- xiv) **Transformation Reserve** has been utilised to pay for the cost of changes required during the austerity era. This reserve will close.
- xv) **Uplift Reserve** holds funds to meet the infrastructure and non-pay costs associated with the estimated increase in police officer numbers. This reserve will be closed at the end of 2024/25.

## 6. Ring-fenced Reserves held by but not available to use by the PCC

6.1. In addition to the reserves set out above, the accounts include earmarked reserves that are ring fenced for specific purposes and are not available for use by the PCC as they are held on behalf of national policing. These are:

	Actual as at 31 March 2024	Forecast as at 31 March 2025	Forecast as at 31 March 2029
ACRO Surety	3.0	3.0	3.0
AVCIS Surety	0.3	0.3	0.3
ACRO General Reserve	3.8	0.9	0.9
<b>Total</b>	<b>7.1</b>	<b>4.2</b>	<b>4.2</b>

6.2. The purpose of these reserves is as follows:

- i) **ACRO** is the national ACPO Criminal Records Office, which is hosted in HIOW but co-funded by all PCCs and Chief Constables in the UK. The funds are not available to the PCC for use in the HIOW policing area. **ACRO Surety** and **AVCIS Surety** are held to cover any potential costs to the Chief Constable or PCC should ACRO cease to trade on its current basis.
- ii) **ACRO General Reserve** - other net surplus balances held on behalf of ACRO. The governance board for ACRO determines the use of these reserves. The ACRO general reserve has reduced due to investment in new buildings and systems. The annual budget and use of reserves is presented to the National Police Chief's Council each year. The ACRO budget is formulated because of decisions made at National Police Chief Constable's Council on the amount of contribution that forces will pay ACRO each year, so the actual reserve profile will be updated as these figures become known and the ACRO budget is agreed.

## 7. Overall CFO Assessment of reserves

7.1. The PCC CFO's assessment is that:

- i) the level of the General Fund reserve is reflective of the overall risk environment in which the PCC operates

- ii) the level of earmarked reserves and their purpose are necessary and appropriate
- iii) the reserves are prudent and necessary to meet the ongoing requirement for one off expenditure
- iv) the overall level of reserves is appropriate given the known financial pressures and risks faced by the PCC.

## Appendix 1 – Analysis of Useable Reserves

		Analysis of how the forecast 31 <sup>st</sup> March 2025 Reserves will be utilised		
	Forecast Balance 31.3.25	Planned Expenditure on projects and programmes over the medium term to 2028/29	Funding for Specific projects and programmes beyond 2028/29	As a general contingency to meet other expenditure needs
	£m	£m	£m	£m
General Reserve	18.2	0.2	13.0	18.0
Carry Forward	0.1	0.1	0.0	0.0
Commissioner's Reserve	3.0	0.7	2.3	0.0
Estates Reserves	59.4	40.1	19.3	0.0
Grant Equalisation	3.0	0.0	0.0	3.0
Inflation	4.7	4.7	0.0	0.0
Insurance Reserve	1.5	0.0	1.5	0.0
Investment Risk	0.2	0.2	0.0	0.0
IT Services Reserve	25.6	20.8	4.8	0.0
Special Grant	7.6	7.6	0.0	0.0
Pension Remedy	0.6	0.6	0.0	0.0
Replacement Reserves	7.0	0.0	7.0	0.0
Trading Reserves	2.3	0.0	2.3	0.0
Transformation Reserve	0.1	0.1	0.0	0.0
<b>Total Useable Reserves</b>	<b>133.3</b>	<b>75.1</b>	<b>50.2</b>	<b>21.0</b>

## Appendix 2 – Analysis of profile

General Fund	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29
General Fund	-24,249	-18,178	-18,019	-18,019	-18,019	-18,019
<b>Fully committed to Existing Spend Programmes</b>						
Carry Forward Reserve	0	-113	0	0	0	0
Revenue Grants Unapplied Reserve	-277	-277	-277	-277	-277	-277
Estate Reserve	-54,053	-59,440	-54,515	-35,590	-14,965	-19,340
IT Services Reserve	-26,849	-25,647	-21,380	-18,055	-4,656	-4,866
Replacement Programme Reserve	-7,771	-6,956	-5,180	-4,180	-4,180	-5,180
<b>Trading Reserves</b>						
Netley Business Plan Reserve	-117	0	0	0	0	0
Safer Roads Reserve	-2,213	-1,781	-1,781	-1,781	-1,781	-1,781
HC Trading Reserves	-1,046	-553	-553	-553	-553	-553
<b>Risk Reserves</b>						
Insurance Reserve	-1,477	-1,500	-1,500	-1,500	-1,500	-1,500
Grant Equalisation Reserve	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000
Pension Remedy Reserve	-2,738	-638	0	0	0	0
Council Tax Reserve	-2,139	0	0	0	0	0
Op Magenta Reserve	-8,622	-7,600	0	0	0	0
Inflation Reserve	-4,764	-4,700	-2,000	-1,000	0	0
Investment Risk Reserve	-240	-240	-240	-240	-240	-240
<b>Corporate Reserves</b>						
Commissioner's Reserve	-903	-831	-255	-237	-237	-237
Commissioner's Reserve	-2,169	-2,169	-2,164	-2,164	-2,164	-2,164
Transformation Reserve	-271	-95	-95	-95	-95	-95
Uplift Reserve	-4,917	0	0	0	0	0
<b>ACRO Reserves</b>						
AVCIS Surety	-326	-326	-326	-326	-326	-326
ACRO General Reserve	-3,739	-918	-918	-918	-918	-918
ACRO Surety	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000
Total GF	-24,249	-18,178	-18,019	-18,019	-18,019	-18,019
Total Earmarked	-123,567	-115,539	-92,941	-68,671	-33,647	-39,232
Total other	-7,065	-4,244	-4,244	-4,244	-4,244	-4,244
<b>TOTAL RESERVES</b>	<b>-154,881</b>	<b>-137,961</b>	<b>-115,203</b>	<b>-90,933</b>	<b>-55,910</b>	<b>-61,495</b>

## **Section 25 Report from the PCC Chief Finance Officer**

Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (CFO) to report to the PCC when setting council tax on:

- the robustness of the estimates included in the budget, and
- the adequacy of the financial reserves in the budget.

The PCC is required to have regard to this report in approving the budget and council tax. Section 25 concentrates primarily on the risk, uncertainty and robustness of the budget for the next financial year rather than the greater uncertainties in future years. This report does however consider not only the short-term position but also the position beyond 2025/26 in the context of the PCC's Medium Term Financial Strategy (MTFS) presented in the main report.

### **Robustness of Estimates in the Budget**

The budget setting process within the Constabulary has been operating effectively for many years and is based on increasing the budgets each year allowing for pay and price inflation and other marginal base changes in the cost or levels of service.

Each year a zero based budgeting exercise is also carried out to review whether or not there are elements of the budget that do not reflect the current activity or need

Appropriate provisions for pay and price inflation are included within each successive MTFS and these are then refined by the Chief Finance Officer in rolling forward the detailed budget for the next financial year.

In general terms, the forecasting for the MTFS is undertaken on a very prudent basis, particularly in respect of allowances for pay and price inflation and increases in government grant, precept increase and council tax base. For the current MTFS, the PCC has only received confirmation of funding for the 2025/26 financial year, with no information on grant or council tax precept for 2026/27 onwards. This has meant that a very prudent set of assumptions have been included within the MTFS to mitigate for this.

There is a very robust process in place to assess budget pressures, with submissions categorised as:

- one-off or ongoing costs
- either Mandatory/Unavoidable or Critical and;
- joint costs to be shared with Thames Valley Police (TVP) or costs that will be funded by HLOW entirely

The submissions are returned to Finance by 31 August. A challenge and prioritisation session is held by the CFO in September with each chief officer to review the robustness and accuracy of each submission. Chief officers then prioritised the submissions within their respective commands. The Chief Officer Group met in October to review all the submissions to create a forcewide prioritised list and agree the categorisation of each of the submissions e.g. whether they are accepted as a mandatory/unavoidable cost that must be included within the budget.



A series of six meetings takes place between October and January between the PCC and CC to scrutinise the submissions further and understand the benefits, risks and costs associated with each submission. Chief Officers attend specific meetings when further exploration needs to take place on an individual submission. During the same period, meetings take place with TVP to jointly prioritise and agree any submissions that would be joint funded by both PCCs. For example, both forces share an ICT Department to align systems and save cost. Submissions for new ICT costs are often shared costs.

Overall affordability is considered throughout the process.

An allowance for future pressures is made in the MTFS incrementally of per annum of £5m.

Budget management within the PCC and Constabulary remains strong as demonstrated by the outturn position each year.

As Chief Financial Officer for the PCC I have a close involvement with the budget setting process and I am content that the estimates are robust based on the knowledge we have available to us at this time.

### **Risks in the Budget 2024/25 and the MTFS**

- a) **Government Funding** - The one year Police Spending Settlement announced in December 2024 only provided Police Grant, Uplift Grant, Pension Grant, Legacy Grant, National Insurance Grant, Neighbourhood Policing Grant and the Referendum level for precept for 2025/26. This is a key risk as the funding position beyond 2025/26 is not known, requiring a significant amount of estimation to be made as to the future funding position over the course of the MTFS period.

The risk mitigation has been to include very prudent estimates within the MTFS for future funding, as follows:

- Council Tax increases limited to 1.99% for the future duration of the MTFS
- Assumed 2% increase for Police Grant for future years in the MTFS

In addition, a Grant Equalisation reserve has been set up which can be utilised to offset and manage any fluctuations in Police grant over the medium term.

- b) **Council Tax** – The Government have only announced the precept referendum level for 2025/26, with no indication of future allowable precept increases. Increases in council tax forms a key part of supporting the budget. In the absence of any guidance from government, the assumed precept increase within the MTFS is 1.99% for the duration of the MTFS due to the Bank of England target level for inflation being 2%. This is felt to be a prudent approach.
- c) **Council Tax Collection** – the cost of living pressures could impact the collection of Council Tax, and at the time of writing this report, the final estimates have not yet been confirmed by the billing authorities.
- d) **Pay and Price Risk** – The MTFS contains provision for increases in Police Officer and Police staff pay, reflecting the current economic environment.

The impact of price inflation is considered in setting the budget and the assessment is that it would take a major departure from the assumptions to create a financial problem that could not be dealt with in year from reserves.

- e) **Treasury Risk** – The OPCC has limited exposure to interest rate risk as most long-term borrowing is undertaken on a fixed rate. There is no expectation of entering into new borrowing in the next 3 years. On the investments side, the Authority has a very prudent approach to forecasting its investment returns and they represent a very small part of the overall funding for the budget. The investment strategy protects capital ahead of yield and most of the medium term investments are in products that should return a stable income yield each year.
- f) **Decarbonisation** – The decarbonisation agenda could create significant cost pressures for vehicles and buildings. There is no new Government funding being made available to the PCC for investment in new infrastructure e.g. for substations and chargers for electric vehicles or the additional cost of electric vehicles. The annual revenue contribution for vehicle purchases was increased from £3m to £4m in 2024/25 to provide for current costs, but further investment may need to be made in the medium term.
- g) **Police officer pay increments** – Increments for police officer pay are in addition to inflation pay awards.

In addition to the above, the budget report sets out a range of other key risks in the report as follows:

- a lower government grant than forecast which would represent a reduction in funding compared with the 2% grant assumption over the duration of the MTFS period
- the allowable maximum precept increase is less than the assumed 1.99% increase included in each year of the MTFS 2022/23 onwards
- inflation is greater than forecast which would create a cost pressure (as an example, each 1% increase in the pay award beyond the current assumption of a 1% pay award would lead to a cost pressure of £2m)
- the impact on both the council tax collected and the council tax deficit of cost of living pressures could negatively impacts future year budgets
- grant funding for the pay costs and infrastructure costs of the Officer Uplift programme could become insufficient to cover costs
- funding set aside for the estates and infrastructure costs of the Officer Uplift programme being insufficient to cover costs
- the £5m incremental recurrent revenue funding each year within the MTFS is insufficient to cover new recurrent revenue pressures
- an increase in national top-slices
- a risk that partner agencies could reduce or withdraw their services which puts additional financial pressure on the police service
- some activities and funding could be moved to a regional or national basis that would remove funding from the HIOW Policing Area. There is a

risk that the removal of funding causes a financial difficulty that needs to be managed locally

- insufficient savings are identified or delivered to meet the forecast medium term budget shortfall, necessitating a draw from reserves to balance the budget in any one year
- National Police Air Support cost sharing arrangements are under review which could result in an increase in charges.
- the earmarked reserves are insufficient to cover the pressures/risks to which they relate

These risks have been taken into account in assessing the minimum and overall level of reserves. My assessment is that it would be unlikely that all risks would arise in any one year, and that individually the risks can be managed. It would take a significant number of these risks to arise at the same time to be unmanageable through the available reserves in the short to medium term.

These identified risks are mitigated, to a certain extent, because the PCC:

- maintains an appropriate level of reserves and balances;
- has made prudent assumptions as to the level of future grant income, Uplift funding and precept increases which should limit the actual impact
- will proactively manage and monitor all aspects of budget performance during the year

### **Adequacy of Reserves**

The PCC Chief Finance Officer has a responsibility to ensure that the level of reserves maintained is sufficient. The Police Reform and Social Responsibility Act 2011 states that only the PCC, and not the Chief Constable, is permitted to hold reserves.

The Chartered Institute of Public Finance and Accountancy (CIPFA) produces guidance on reserves, but the exact level of reserves to be held is left as a local decision due to the need to reflect individual circumstances. Whilst there are no firm requirements on the amount, it is clear that reserves must be held to ensure that the organisation is able to meet any unexpected liabilities. CIPFA warned that the use of reserves to deal with shortfalls in day-to-day spending would be a “recipe for significant financial problems.

The PCC continues to use reserves to pay for the cost of change that is required to meet both the financial challenge and the necessary investment to ensure that the Constabulary remains a modern, operationally effective Police Service.

Reserves are necessarily and appropriately held as part of good strategic financial management and are a key element in supporting the PCC’s medium-term planning and Medium Term Financial Strategy. Reserves held by the PCC are forecast to reduce in the medium term.

Earmarked Reserves have been created to recognise specific risk issues to be funded over the medium term:

- i) **Grant Equalisation Reserve** - this reserve will be used to offset and manage future uncertainty in the level of Police grant

- ii) **Special Grant Reserve** – to cover the costs of long-term police operations.
- iii) **Pension Remedy Reserve** – this reserve sets aside specific funding in recognition of the one off costs which will arise from implementation of the McCloud/Sargeant pension remedy judgment impacting Police Pensions
- iv) **Inflation Reserve** – to assist with any costs relating to higher than expected inflation, especially utilities

Further information on reserves is provided in the budget report, with significant detail set out in the Reserves Strategy, which is Appendix H to the budget report.

Based on current planning assumptions, and taking into account the risks set out in the budget report, the minimum general fund balance has been set at £5m. The actual balance of the reserve is forecast to be at least £5m at all times.

For the medium-term, the general fund balance is therefore anticipated to be maintained at a level in excess of the minimum required.

The Earmarked Reserves are deemed appropriate, and their purpose has been set out in the Reserves Strategy. Earmarked reserves are forecast to reduce significantly by 31<sup>st</sup> March 2029 mostly due to expenditure on the Estate Strategy.

As set out in the Reserves Strategy, my view on the adequacy of Reserves is as follows:

- i) the level of the General Fund reserve is reflective of the overall risk environment in which the PCC operates
- ii) the level of Earmarked reserves and their purpose are necessary and appropriate
- iii) the overall level of reserves is appropriate given the known financial pressures and risks faced by the PCC.

### **Reliability / accuracy of budget estimates**

Qualified and experienced staff in the Finance Department have reviewed the estimates.

There are a significant number of risks around the estimation of future costs and income contained within the budget and MTFS proposals and these are clearly set out within this appendix and within the body of the budget report, together with comments on risk mitigation.

By themselves, none of these risks are so significant that they could not be managed in isolation. However, collectively they represent potential risks which would impact the MTFS position, and if not managed could cause a gradual and escalating build-up of financial pressure on the PCC and Constabulary's financial position that would need to be managed.

The risks will be monitored during the year and the next iteration of the MTFS will be updated accordingly.

### **Budget 2025/26 – Conclusion**

Given the details outlined above in the proposed budget and MTFS, including the level of earmarked reserves and balances, a positive opinion can be given under Section 25 on the robustness of the estimates and level of reserves for 2025/26.

### **Cash Flow**

As part of setting the budget, I have reviewed the cash flow forecast for the period through until end of March 2026. The cash flow position remains very positive, and I have no concerns as to the cash position.

In practice, through effective treasury management throughout the year, surplus cash will be invested until required, ensuring that the OPCC keeps sufficient but not excessive cash available to meet the OPCC's day to day spending needs, while managing the risks involved (in line with the CIPFA code and the treasury management strategy). On that basis actual short term cash balances may be less than forecast as surplus cash will be invested in periods longer than 1 day duration.

### **The Position Beyond 2025/26**

The future funding position is less clear due to having no Spending Review.

The strong financial planning and reserves position for HLOW gives me confidence that HLOW is relatively well prepared to meet the future challenges as they arise. The MTFS has been based on prudent funding assumptions, which should mean the PCC is well placed to respond to and manage changes.

Whilst there are risks within the MTFS these have been mitigated as far as possible and it would take a significant change in the funding regime to create a scenario that the PCC and Chief Constable could not manage over the course of the MTFS through either planned budget reduction and/or draws from reserves.

**Richard Croucher, PCC Chief Financial Officer**

## Public Consultation Report

### The budget survey 2025/26

This year the online budget consultation took place via an online survey. This was open for 3 weeks, closing on 16<sup>th</sup> December 2024. During this time, we heard from 3,903 residents from across our 14 districts of which 3,727 answered the precept question.

### Precept increase

Participants were asked what is the maximum amount they would be willing to pay for the precept in 2025/26. The referendum limit of £14 was not known at the point that the survey was launched so generic £5 steps were used for the purposes of the survey. We heard from over 77% of participants to the online survey that they would be willing to pay an increase to the precept. Within that figure 64% voted for an increase of between £10 to £20.

The breakdown of responses are:

- 857 (23.0%) would pay a £20 increase per year (£1.67 per month)
- 662 (17.8%) would pay a £15 increase per year (£1.25 per month)
- 873 (23.4%) would pay a £10 increase per year (83p per month)
- 489 (13.1%) would pay a £5 increase per year (42p per month)
- 18.3% preferred no increase and 4.4% said another amount.

### Crimes that impact you and your community the most

Residents were also asked about the impact of crime locally, and from a list of 14 crimes and an additional 'other-please state', to select all the crimes that impact them and their community the most. We can see the top three crimes are:

- ASB: 54.5%
- Vehicle crime: 45.6%
- Burglary: 41.1%

