

## HAMPSHIRE & ISLE OF WIGHT POLICE AND CRIME COMMISSIONER

<b>Title:</b>	Council Tax Precept 2026/27, Budget 2026/27 and Medium Term Financial Strategy 2025/26 to 2029/30
<b>Contact name:</b>	Richard Croucher, Chief Finance Officer Kate Boynton, Deputy Chief Finance Officer
<b>Email:</b>	<a href="mailto:richard.croucher@hampshire.police.uk">richard.croucher@hampshire.police.uk</a>

### 1. Recommendations

#### The Police and Crime Commissioner:

- 1.1. Approves the proposed precept increase of £15 for Band D properties (5.45%), which is the equivalent of £1.25 per month, or 30p per week. The increase of £15 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 2026 as £290.46 per annum at Band D and notes the basic Council Tax for the year beginning 1 April 2026 for Bands A – G will be as set out in Appendix C
- 1.3. Approves that the final proposed Council Tax Base is 734,804.68 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 2026 will be £213,431,367.35 as per Appendix C.
- 1.5. Issues Precepts for the year beginning 1 April 2026 totalling £213,431,367.35 on the billing authorities in Hampshire, the Isle of Wight 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 61% of households across Hampshire & IoW (HIOW) are in properties in council tax bands A-C, and, therefore, the majority of council tax payers would see a precept increase of less than £15 per annum.
- 1.7. 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. HIOW remains below the national average in 25/26 by £12.62. As all PCCs are expected to increase council tax precept by £15, it is highly likely that an increase of £15 will mean that the HIOW precept level will continue to be below the national average.

- 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 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 the Police and Crime Panel voted unanimously to support the proposed precept at their meeting on 2 February 2026.
- 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.

## **2. 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':
- 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 **£9.9m** to fund new initiatives that includes:
  - i) More police officers and operational capability including the provision of 36 additional police officers which will take the total net additional officers funded since 2020 to 851. The proposed allocation of officers is 5 more Local Bobbies and 16 more Neighbourhood Policing officers that will increase police visibility and engagement. In addition, a new Fugitive

Team of 15 officers and 3 Analysts is planned who will target high harm offenders across Hampshire and the Isle of Wight.

- 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) Investment in estate that will provide accommodation for the increasing number of officers in locations that align with the new area operating model
- iv) Investment in technology systems and vehicles that are essential to maximise productivity
- v) Investment in forensic services required to meet the increases in costs as a result of more officers investigating more crimes and the increase in the number of digital devices that need to be examined
- vi) Further investment in wellbeing support for frontline officers and staff.

2.5. In addition a new **£2m** Innovation Fund has been created by the PCC to incentivise and fund projects that will deliver efficiencies.

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

- 2.6. The funding settlement from Government shows that grant will increase from £292.9m to £301.8m, which is an increase of just £8.9m or 3.0%. This increase is clearly not sufficient to keep pace with the increase in pay approved by the Home Secretary (4.2%) and non-pay inflation (November CPI 3.2%). The level of grant represents a real term cut to police funding from Government in 2026/27.
- 2.7. The provisional settlement was announced on Thursday 18 December as parliament rose for the Christmas recess. The announcement was described as minimal with further details to follow at an unspecified time in January. The provisional settlement included core grant values that are inconsistent with the Spending Review and significantly different to the amounts forecasted by the National Police Chiefs' Council analysis of the Spending Review, which had been shared with the Home Office as the working assumption that all forces would use for planning purposes.
- 2.8. The provisional settlement also included a different methodology for distributing Additional Recruitment Top Up grant. The grant will now be issued in proportion to the funding formula as part of the Neighbourhood Policing Grant rather than based on the number of additional officers achieved by each force. The change of approach was not subject to any consultation and no indication of a change of approach was given before the provisional settlement. This change has resulted in 'winners and losers' with the Metropolitan Police being a significant winner and HIOW a significant loser of £2m (42% reduction in additional uplift top up grant before it was moved to Neighbourhood Policing Grant).

2.9. The PCC received an updated notification from the Home Secretary on 16 January 2026 to say that the Neighbourhood Policing Grant would be increased to £9.5m, but the Constabulary will need to add 45 personnel to neighbourhood policing in 2026/27 to be able to draw that grant. The letter also stated that the Uplift headcount target will be removed so that the only grant condition will now be the Neighbourhood Policing increase requirement. The letter does not confirm the total amount of grant for HIOW but states this will be shared in the final settlement. In the meantime, we have estimated the amount of grant receivable based on the content of the letter received.

2.10. The estimated grant settlement is shown below in Table 1:

**Table 1 – Estimated grant settlement 2026/27**

Grant	2025-26	2026-27	Increase	Increase
	£M	£M	£M	%
Core Grant	245.95	264.47	18.52	7.5%
Council Tax Grant	12.94	12.94	0.00	0.0%
Pensions Grant	9.09	9.09	0.00	0.0%
National Insurance	5.84	5.84	0.00	0.0%
Neighbourhood Policing Grant	5.19	9.49	4.30	82.9%
Police Uplift Programme grant	9.08	0.00	-9.08	-100.0%
Additional Recruitment Top Up	4.79	0.00	-4.79	-100.0%
<b>Total Govt funding to PCC</b>	<b>292.88</b>	<b>301.83</b>	<b>8.95</b>	<b>3.1%</b>

2.11. The change to Government grant distribution means that the funding increase for forces such as Cambridgeshire and the Metropolitan Police are significantly greater than the 3.0% increase provided to HIOW. Therefore any Government announcements on total police funding will not accurately reflect the position for individual forces, with some forces, such as HIOW, receiving real term cuts compared to other forces that will receive a grant increase that is above CPI inflation.

2.12. There are no increases to the majority of grants, as shown in table 1, which creates further funding pressures for forces. For example, the National Insurance grant was introduced last year to partially offset a Government policy decision to significantly increase Employers' National Insurance Contributions. Despite initial assurances from the Home Secretary, the amount of National Insurance grant supplied did not cover the cost in 2025/26 as set out in the Budget Report last year. There is no increase in grant provided for 2026/27 to cover the pay award approved by the Home Secretary.

2.13. In addition to the amounts shown in table 1, HIOW received £3.1m of pay award grant in late 2025/26 to assist with covering the part-year effect of the pay award of 4.2% determined by the Home Secretary for implementation on 1 September 2025. The Home Office has been clear that there would be no increase to the Spending Review amounts announced in June, so there is no continuation of the pay award grant into 2026/27, thus the September 2025 pay award creates a financial pressure for PCCs to manage in 2026/27.

- 2.14. The provisional settlement from the Government assumes that all PCCs will increase their precept by £15 on Band D properties. As HIOW has a council tax precept below the national average, the percentage increase for HIOW will be greater than most others at 5.45%. Government policy is clearly to shift further funding responsibility from central grant to local precept with a grant increase of 3.0% and precept increase of 5.45%
- 2.15. Taking account of the police grant and the available precept flexibility, the PCC is **proposing a budget in the net sum of £516.7m.**
- 2.16. To deliver a balanced budget in the sum of £516.7m, the PCC is:
- i) proposing a **precept increase of £15** (5.45%) 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 **£9.9m**, which includes **an additional 36 police officers**
  - iii) creates a **£2m Investment Fund** to incentivise and fund changes that deliver significant efficiencies
  - iv) funding **inflationary pressures** of **£25.8m**
  - v) utilising **savings** of **£5.9m**
  - vi) applying **£5.0m from reserves**, principally underspend in 2025/26, to fund one-off costs
- 2.17. The budget and precept increase proposed represents a 4.2% increase in funding overall that 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**

- 2.18. This report includes an update to the Capital Programme, which will see proposed investment across the estate of £69m over the next 3 years.
- 2.19. 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.
- 2.20. The annual contribution to reserves for capital expenditure on vehicle replacement is maintained at £4m pa. This contribution is added to any balance that is held and carried forward on the Vehicle Replacement Reserve as there can be long lead times for the delivery of police vehicles that mean that orders raised in one financial year may not be delivered until the following financial year.

### **Chief Constable Operational Recommendation**

- 2.21. The Chief Constable has set out in Appendix A his assessment of the operational case for an increase in the precept.

2.22. The operational case sets out why additional investment is required locally in HIOW through the proposed precept increase.

### **Economic Context**

2.23. The Spending Review in June set out future funding for policing services at a macro scale. The total for policing services, including Government Grant and PCC precept is shown in the Spending Review as:

2025/6 £18.7bn

2026/7 £19.6bn, an increase of £0.850bn (4.5%)

2027/8 £20.3bn, an increase of £0.650bn (3.3%)

2028/9 £20.8bn, an increase of £0.500bn (2.5%)

2.24. Overall, the nominal increase is circa £2bn, or circa 11.2%, which represents an average annual increase of circa 3.7% across policing. However it should be noted that:

- a) Funding increases are lower in future years creating a need to deliver efficiencies in order to balance budgets.
- b) The Home Office has refused to share the assumed levels of PCC precept within these figures, so it is unclear how much of the funding will come from Government Grant (which may have conditions attached) and how much of the funding could only be achieved by all PCC's increasing council tax precept by the maximum each year.
- c) The Home Office has refused to share any assumptions of how much of the funding will be top-sliced for 'central' purposes and how much will be distributed to PCCs. It is unclear how the Home Office proposes to fund the remaining 8,250 personnel required to meet the 13,000 additional neighbourhood personnel manifesto commitment.

2.25. In order to allow some form of financial planning, the National Police Chiefs' Council (NPCC) undertook analysis of the Spending Review to estimate the amounts that may be forthcoming for each force.

2.26. Annual pay awards for officers and staff are implemented in September each year. In August, the Home Secretary announced a 4.2% pay increase for police officers with effect from 1 September 2025. The same 4.2% increase was subsequently agreed for Police Staff. All forces had assumed a pay award of 2.8% in their 2025/26 budgets, as agreed with the Home Office. To assist with the additional in-year cost for 7 months of the 2025/26, the Home Secretary made £120m of funding available, of which HIOW received £3.1m. The estimated part-year cost for officers and staff in HIOW is £3.9m, leaving a £0.8m shortfall to be absorbed in 2025/26.

2.27. It was made clear by the Home Office at this stage that there would be no further funding for this pay award in future years and that the Spending Review figures set in June would not be increased as a result of the decision to award 4.2% rather than the budgeted 2.8% pay award. This immediately creates an additional pressure for 2026/27 and beyond.

- 2.28. The Autumn Budget was set for the latest possible date on 26 November 2025. There were no specific changes made for policing but the Office for Budget Responsibility and HM Treasury revised their inflation forecast for 2026/27 from 2.1% to 2.5%. Despite the upwards revision, we are advised that no further funding will be awarded to the amounts set out in the Spending Review, creating further additional financial pressure for forces.
- 2.29. 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 is for lower interest rates in 2026/27. As reserves will also be spent on estate, the investment income stream cannot be relied upon indefinitely.
- 2.30. The provisional settlement was announced on Thursday 18 December as parliament rose for the Christmas recess. The announcement was described as minimal with further details to follow at an unspecified time in January. On Friday 16<sup>th</sup> January the PCC received the letter setting out the new Neighbourhood Policing Grant value and the removal of the Uplift Headcount target.
- 2.31. The Government Grant increase for HIOW in 2026/27 is just 3.0%, which is well below the pay award of 4.2% and November CPI of 3.2%. The core grant increase is less than was expected through the NPCC analysis of the Spending Review and the surprise change to the methodology for allocating Additional Recruitment Top Up grant results in a 42% cut to that grant for HIOW before it was then moved into Neighbourhood Policing Grant.
- 2.32. The Additional Recruitment Top Up grant will now be issued in proportion to the funding formula rather than based on the number of additional officers achieved by each force. The change of approach was not subject to any consultation and no indication of a change of approach was given before the provisional settlement. This change has resulted in 'winners and losers' with the Metropolitan Police being a significant winner and HIOW a significant loser of £2m (42% reduction in grant). Therefore, all forces are differently impacted by the provisional settlement announcement. The remaining grant value appears to have been moved into the Neighbourhood Policing Grant.
- 2.33. The provisional settlement assumes that all PCCs will increase council tax precept by £15 Band D.

### **Medium Term Position**

- 2.34. The medium term position is more uncertain than usual, despite the publication of the Spending Review in June, because the Government has chosen to make changes to the share of funding between PCCs without any prior indication or consultation. There is no clarity on the conditions that may be attached to any of the grants that have been provisionally announced. There is no indication from the Home Office of their assumptions on council tax precept increases during the Spending Review period, so it is unclear how much of the funding set out would come from grant and council tax. Furthermore, there is an expectation

that a Policing Reform White Paper will be published in January that could create new policing bodies that could move funding from HIOW to a more centralised policing body, along with the potential prospect of the HIOW policing area being merged into a larger policing body.

2.35. The Spending Review does indicate that the Government intention is provide lower funding increases over the Spending Review period:

**Table 2 – Spending Review funding for policing services**

	<b>Increase in total funding (grant plus council tax) £ and %</b>
2026/27	£19.6bn, an increase of £0.850bn (4.5%)
2027/28	£20.3bn, an increase of £0.650bn (3.3%)
2028/29	£20.8bn, an increase of £0.500bn (2.5%)

2.36. HM Treasury forecasts that inflation will reduce from the November CPI of 3.2% to the Bank of England target rate of 2%, which would assist but the Autumn Budget has already increased the inflation estimate for 2026/27 from 2.1% in the Spending Review to 2.5%, without any revision to the future funding amounts that were proposed in the Spending Review. The Spending Review also assumes that policing will deliver efficiency savings to assist with balancing the budget.

2.37. Therefore, the key conclusion for the medium term is that funding is likely to reduce and there will be a greater need for savings to be delivered to balance the budget.

**Public Consultation**

2.38. 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 £15 Band D.

2.39. The PCC has undertaken consultation online. It was not known at the time that the precept referendum limit would be £15, as all national analysis and discussions with the Home Office indicated a £14 Band D referendum limit. Although councils and fire & rescue authorities were given multi-year referendum limits on 19 November, the announcement for the PCC referendum limit was not made until 17 December and only covers one year. Therefore it was not possible to consult on a £15 band D precept due to the announcement being delayed until after the consultation closure date.

2.40. A total of 4154 responses were received during the four week consultation period that ended on 2<sup>nd</sup> December 2025. The survey indicated public support for an increase to the council tax precept for policing.

## **Precept Proposal**

- 2.41. 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.
- 2.42. The precept decision for 2026/27 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.
- 2.43. Taking account of the above, the PCC's proposal is therefore for a £15 increase in the council tax precept for 2026/27 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.
- 2.44. Increasing the precept by £15 will raise an additional circa £11m per annum from 2026/27.
- 2.45. The total precept raised for 2026/27 is estimated to be £213.4m, a total increase of £12.6m after allowing for an estimated increase in the Council Tax base of 0.9%.
- 2.46. The balance of funding has changed over the last decade, with council tax accounting for 42% of overall funding in 2026/27 compared to 33% in 2010/11.
- 2.47. The PCC's view is that increasing the council tax by £15 on Band D properties (5.45%) 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.
- 2.48. The Chief Constable is clear that:

“The public are clear that they want more from their police service. We want that too. Our track record in recent years is one that gives us confidence we can continue to improve and deliver if backed. With national funding changing, local support can make the difference. Our ambition is to deploy more officers, make smarter use of technology, better ensure our officers and staff are productive, and pave the way for a service ready to meet the challenges of the future. These are all key components of our operational plans in the year ahead. To achieve this the maximum £15 rise in council tax is required. My commitment in return is a police service that continues to build on the positive improvement of recent years and continues to spend every penny wisely.”

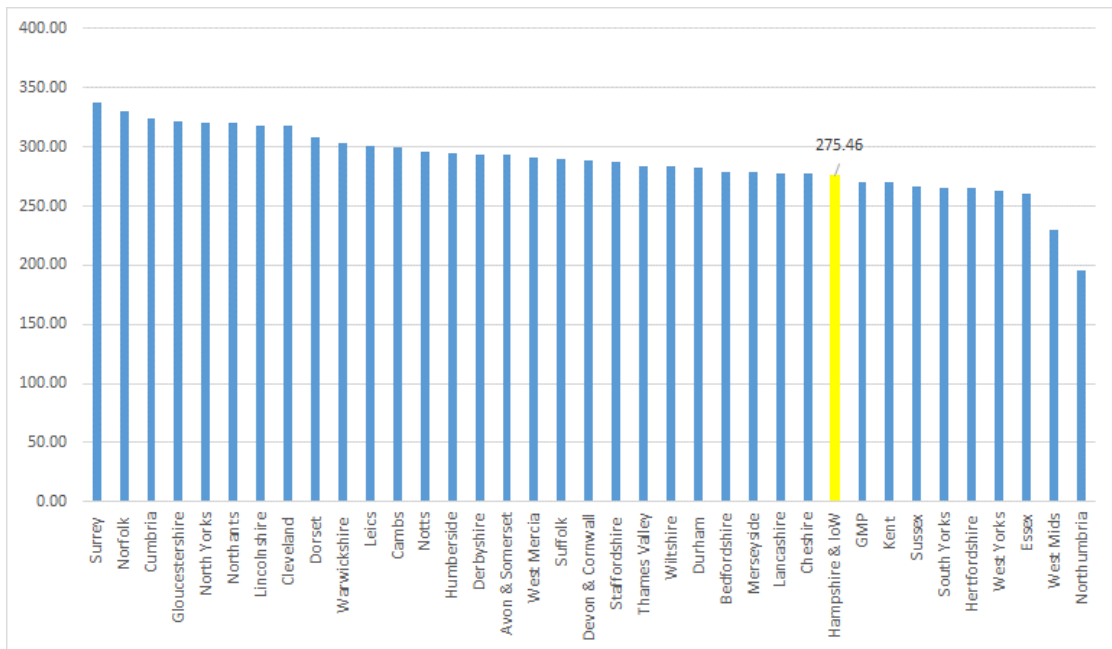
## **3. PRECEPT PROPOSAL**

- 3.1. Local funding through Council Tax remains an important source of funding, particularly given that the low 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.

- 3.2. The PCC must ensure sufficient resources are available to deliver her Plan and her statutory responsibilities.
- 3.3. The provisional police settlement announced on the 18<sup>th</sup> December included the referendum limit as £15, which for HIOW equates to a 5.45% 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 £15 Band D.
- 3.4. Any precept increase above the referendum limit of £15 would normally require a public referendum vote to support it. However, the Home Office invited PCC's to submit a request for an exceptional precept limit, acknowledging the challenging funding settlement and lack of notice for PCC's to plan for the funding settlement. HIOW continues to manage the funding that is available well and so it is unlikely that any request from HIOW would be supported by the Home Office.
- 3.5. Over 92% of the public that responded to the survey supported a Band D increase. However, due to the late announcement of the referendum limit for PCC's it was not possible to consult on the specific quantum of the increase at £15 Band D.
- 3.6. 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
- 3.7. 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 £15 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 2026/27.
- 3.8. A precept increase of £15 is in line with Government expectations of the increase required to deliver effective policing services,
- 3.9. 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.
- 3.10. The current Band D Council Tax Precept for HIOW in 2025/26 is £275.46, which is the 10th lowest of the 37 English forces (see Appendix C). The average Band D police precept in England in 2025/26 is £288.08. If the HIOW Band D precept rate was at the national average it would generate an additional £9m in council tax income in 2025/26.

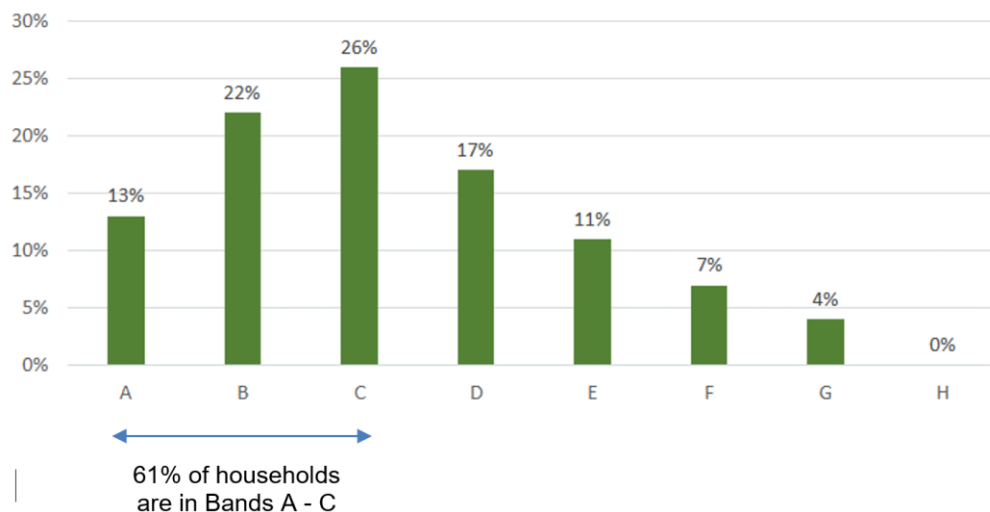
**Chart 1 – Council tax precept comparison 2025/26**



3.11. The proposed precept increase would make the Band D Council Tax precept to £290.46 in 2026/27. The Government’s expectation is that PCCs across England will increase their Band D precept by £15, so it is highly likely that the HIOW precept will remain below the national average.

3.12. 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 £15 per annum, as shown below:

**Chart 2 - Percentage of Households by Council Tax Band**



3.13. The increase in council tax precept by Band is shown in Table 3 below:

**Table 3 - Impact of a £15 Band D Increase by Council Tax Band**

<b>Band</b>	<b>Annual Increase £</b>	<b>Monthly Increase £</b>	<b>Weekly increase £</b>
A	10.00	0.83	0.20
B	11.66	0.97	0.23
C	13.34	1.11	0.26
<b>D</b>	<b>15.00</b>	<b>1.25</b>	<b>0.30</b>
E	18.34	1.53	0.36
F	21.66	1.81	0.43
G	25.00	2.08	0.50
H	30.00	2.50	0.60

3.14. The table below shows for a range of precept increases (up to the maximum of £15) the level of precept income that can be raised:

**Table 4 - Comparison of Band D precept increase options**

<b>Precept increase</b>	<b>Additional precept income (£m)</b>
Band D £0	0
Band D £5	3.7
Band D £10	7.4
Band D £15	11.0

3.15. 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.

3.16. Following consultation with the Chief Constable and the public, and having due regard to her Plan, the PCC has concluded to set a £15 Band D precept increase. Increasing the Band D precept by £15 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**

3.17. The total precept income for 2026/27 of £213.4m (£200.7m in 2025/26) is based on a council tax base of 734,804.68 (728,768.60 in 2025/26) Band D equivalents. Appendix C sets out more details on the council tax.

### **Council Tax Collection Fund Account**

- 3.18. The declared surplus on the collection fund for 2026/27 is £1.485m (£1.864m in 2025/26). 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 2026/27**

- 3.19. For 2027/28 to 2028/29, the MTFs assumes that the precept increase will be £14 Band D as this is still the planning assumption that all PCCs and forces have been asked to apply by the NPCC. However, there is no indication from the Home Office as to what future referendum limits may be and there is no guarantee that the PCC would increase funding by the referendum limit each year, so these figures are included purely for financial planning purposes. Future grant assumptions have been set at values that create an overall funding increase of 3.3% in 27/28, 2.5% in 28/29. which is in line with the Spending Review year on year changes for police funding. Therefore, although the actual split between precept and grant is unknown, the future funding changes are based on the Spending Review cash changes as the most reasonable basis for estimation, accepting that further changes to top-slicing and funding allocations could be made by Government within the overall amounts for policing services.
- 3.20. For 2029/30 it is assumed that inflation will return to the Bank of England target rate of 2% so increases in core grant and precept have been assumed at 2% and 1.99% respectively.

## **4. Inflation and Pay Assumptions**

- 4.1. The Office for Budget Responsibility (OBR) increased its inflation assumption for 2026/27 at the Autumn Budget on 26<sup>th</sup> November, from 2.1% to 2.5%. November 2025 CPI inflation stood at 3.2%. The pay award determined by the Home Secretary for implementation with effect from 1 September 2025 was 4.2%. The majority of the revenue budget is pay-related.
- 4.2. The budget includes provision for inflation of £25.8m. 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. There are significant increases for national functions such as a 19% increase for national systems.
- 4.3. Key inflation assumptions are:
- a pay award of 3% for both police officers and police staff with effect from 1 September 2026. In 2026/27 the Home Office has stated that it cannot be 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.
  - an Inflation Reserve of £2m is in place to deal with any spikes
- 4.4. The most significant inflation cost is the pay award. A 3% 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 2026. The 2026/27 budget has to allow for the full year effect of the 4.2% pay increase set by the Home Secretary for September 2025.
- 4.5. 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 2026/27 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.
- 4.6. As inflation and pay awards are included as best estimates, they are a risk within the MTFS as the actual position could differ from the assumptions made.

#### **2026/27 Budget and Forecast MTFS Assumptions**

- 4.7. The key funding assumptions used to underpin the MTFS are as follows:
- a precept increase of £14 in 2027/28 and 2028/29
  - pay awards at 3% for September 2026, and then 2.5% for September 2027 onwards
  - an annual increase in police grant and precept in line with the Spending Review overall funding changes for policing services for 2027/28 and 2028/29
  - Increases in precept and core grant of 2% for 2029/30 in line with the Bank of England target rate for inflation.

#### **Forecast MTFS Position**

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

**Table 4 – Forecast Budget Deficit in Medium Term**

	<b>Forecast Budget Deficit £m</b>
2027/28	8.3
2028/29	16.0
2029/30	24.8

## Future Pressures

- 4.9. 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 5: Police Office Increments**

POLICE OFFICERS as at 01/09/2025	PNB Pay Point	Basic Pay	ANNUALLY		Gross Salary	Increase from previous point
			Total Employers' NI on Basic Pay (average)	Total Employers' Pension (average)  33.40%		
Constable as at 01/09/2025	1	31,164	3,809	10,410	45,383	0
	2	32,472	4,005	10,847	47,324	4%
	3	33,789	4,203	11,287	49,278	4%
	4	35,106	4,400	11,727	51,233	4%
	5	37,737	4,795	12,606	55,137	8%
	6	43,038	5,590	14,376	63,004	14%
	7	50,256	6,673	16,787	73,716	17%

- 4.10. 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

- 4.11. 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.
- 4.12. 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.
- 4.13. Each year, the Finance Department undertakes a Zero Based Budgeting review that generates savings from good housekeeping or improved contractual arrangements.
- 4.14. Benchmarking is undertaken using the HMICFRS Value for Money Profile to compare the costs of functions within H10W with similar functions in other similar forces in order to identify any potential opportunities for savings.
- 4.15. The Home Office has created a Police Efficiency Collaboration Programme (PECP) which aims to deliver savings for policing. The initial focus has been on generating efficiencies through non-pay procurement contracts, but further phases will review options for delivering mid-office

and back-office functions on a more co-ordinated basis that could result in regional or central units for functional delivery.

- 4.16. Actions to deliver savings are appreciated but it does add an additional element to consider when the PCC and Constabulary look at options for delivering savings locally, for example, business cases will need to consider whether the PCC should invest in changes that may have a 3 year payback period if the national PECP work may change the way that the activity is delivered within that 3 year period.

## 5. PROPOSED BUDGET

- 5.1. The PCC is proposing to set a balanced budget of £516.7m, an increase in the roll forward budget from 2025/26 of £21.2m, as set out below:

**Table 6 - Total Police Grant and Precept 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	292.9	301.8	8.9
Precept	200.7	213.4	12.7
Council Tax Collection Fund Surplus	1.9	1.5	-0.4
<b>Total Available Funding</b>	<b>495.5</b>	<b>516.7</b>	<b>21.2</b>

5.2. On the assumption of a £15 precept increase (Band D), this report sets out that the PCC can:

- i) **Set a balanced budget** in the sum of £516.7m, as summarised in table 7:

**Table 7 - Total Net Expenditure Budget 2026/27**

	£m	%
Hampshire Constabulary	469.9	90.94%
Police Estate	28.8	5.57%
Contribution to Reserves*	7.2	1.39%
<b>Total directly in support of Policing</b>	<b>505.9</b>	<b>97.91%</b>
Office of the Police & Crime Commissioner	3.3	0.64%
Commissioning, Criminal Justice and Partnerships	4.9	0.95%
Capital Financing (net of Interest earned)	2.6	0.50%
<b>Total Proposed Budget</b>	<b>516.7</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 £9.9m**, which includes **investment to fund 20 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) **Creates a £2m Investment Fund** to incentivise and fund changes that deliver significant efficiencies.
- vi) **Cover the costs of Inflation** - provides for the significant inflationary pressures of **£25.8m** 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

- vii) **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

5.3. The proposed budget and medium term financial position is set out in more detail in Appendix D.

### Investment

5.4. The revenue budget will deliver investment of **£9.9m** in 2026/27, including an additional 20 officers, plus the creation of a **£2m** Innovation Fund. A list of the key investments is set out below with further detail provided in Appendix E:

**Table 8 – Investment Summary**

	26/27 £	27/28 £	28/29 £	29/30 £
<b>Ongoing budget</b>	<b>6,638,400</b>	<b>5,374,900</b>	<b>5,374,900</b>	<b>5,374,900</b>
<b>One-off budget</b>	<b>3,277,500</b>	<b>435,300</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>9,915,900</b>	<b>5,810,200</b>	<b>5,374,900</b>	<b>5,374,900</b>

### Ongoing investment

5.5. **Additional Police Officers (Local Bobbies)** – The budget allows for 5 more local bobbies who will provide a dedicated neighbourhood policing to the local communities that they serve. The local bobbies initiative created in HLOW has been well received by residents and become a national requirement for all forces under the Neighbourhood Policing Guarantee. There is also funding for a further 16 Neighbourhood officers.

	26/27	27/28	28/29	29/30
Budget (£)	1,622,000	1,622,000	1,622,000	1,622,000

5.6. **Additional Police Officers (Fugitive Team)** – A further 15 officers are included to create a Fugitive Team that will target high harm offenders across the counties of Hampshire and the Isle of Wight.

	26/27	27/28	28/29	29/30
Budget (£)	975,000	975,000	975,000	975,000

- 5.7. **Fugitive Team Analysts** – The Fugitive Team will include 3 Analysts to ascertain and develop intelligence on high harm offenders for targeted arrests.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	180,000	180,000	180,000	180,000

- 5.8. **Forensics and Digital Forensics**– Ongoing funding to pay for the additional cost created by more officers investigating more crimes. The 2025/26 forensic budget is £2m overspent due to the increase in demand for ‘wet’ forensics. In addition, the increase in the number of devices needing to be examined from victims, witnesses and suspects has created a £1.4m funding pressure for digital forensics. Scientific Services Department will review the cost effectiveness of forensic submissions with a view to potential efficiencies in the future.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	3,434,000	2,170,500	2,170,500	2,170,500

- 5.9. **Wellbeing Risk Manager** – To support offices and staff that are subject to gross misconduct/criminal investigation. The role will be responsible for triaging risk on an ongoing basis.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	57,500	57,500	57,500	57,500

### **One-off investment**

- 5.10. **Victim and Witness Care Unit** – One off funding for one year to extend the temporary contracts for 15 staff working in the Unit who keep victims and witnesses up to date with develops in their cases, particularly in relation to court dates. The Unit helps to make sure that the Constabulary meets the statutory requirements of the Victims Code.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	721,300	0	0	0

- 5.11. **Contact Management Mapping Upgrade** – One-off costs to replace the current mapping solution which is end of life and going out of support with a software as a service solution that provides ongoing annual savings of circa £54k per annum, once the new solution is in place.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	686,200	0	0	0

- 5.12. **Duties Management Solution** – Replacement of the current CARM4 duties management system which is end of life (unsupported from July 2027). One-off funding across two years for the implementation of cross-over of systems.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	414,000	435,500	0	0

- 5.13. **Niche Digital Case File Upgrade** – To upgrade the current Niche RMS case management system to be compatible with the national Digital Case File requirements which will be the only method available for transferring case files into the criminal justice process.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	403,000	0	0	0

- 5.14. **Triage Hub Agentic AI and Robotic Process Automation** – To fund the one-off project costs to implement agentic AI and RPA into the Triage Hub processes to speed up the time taken to search databases for relevant information. All key decisions will continue to be taken by suitably trained personnel. The expectation is that circa £38k pa could be saved as a result.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	283,000	0	0	0

- 5.15. **Contact Management Futures project** – One-off funding for a project team to deliver a phase 1 upgrade the existing telephone solution and create the business case for ongoing contact management change that will lead to a Contact Centre as a Service (CCaaS) solution for the whole of Contact Management, that expects to generate significant service benefits for the public and technology cost saving opportunities.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	270,000	0	0	0

- 5.16. **Modernising Gov Wifi** – Further one-off funding to replace legacy guest Local Area Networks. Expected to reduce ongoing technology cost by circa £43k pa.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	143,500	0	0	0

- 5.17. **Operation Torchlight income generation**– An uplift to the Vehicle Recovery team that will provide capability to seize and sell vehicles that are suspected of being used for unlawful purposes. This has already been introduced in other forces successfully with an expectation that income generated would exceed the cost of the staff investment by £155k in 2028/29 and £255k in 2029/30.

	26/27	27/28	28/29	29/30
Budget (£)	94,600	0	0	0

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

## 6. SAVINGS AND EFFICIENCIES

- 6.1. Total cashable savings delivered over the three year period 2023/24 to 2025/26 are £7.8m. The 2026/27 budget includes savings of £5.9m. The nature of those savings, inflationary pressures and higher service levels have reduced the opportunity for further savings in 2026/27 but benchmarking continues to be undertaken to identify potential options.
- 6.2. There are ongoing national programmes of work led through the Police Efficiency Collaborative Programme (PECP) to identify further savings for forces. This may include the centralisation of some functionality. The Home Secretary can choose to top-slice funding for central initiatives and/or mandate PCC's to use specified contracts or services.

### PCC Treasury Management Investment Income

- 6.3. 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

- 6.4. 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, benchmarking programmes of work are underway to identify potential options for savings.
- 6.5. Savings in 2026/27 have been taken from payments for the Airwave radio system (£1.8m), officer vacancies (£1.5m one-off), reduction in pension contributions for police staff (£0.6m), reducing overtime (£0.5m), removing project budgets (£0.4m), removal of Body Worn Video replacement contribution (£0.4m), reduction in the use of the Degree Holder Entry Programme (£0.3m), supplier changes (£0.2m), use of apprenticeship levy (£0.2m).
- 6.6. The largest area of expenditure is police officer pay. The Uplift Grant requirements currently reduces flexibility in this area. The Neighbourhood Policing Guarantee introduced by Government also

requires an increase of officers in neighbourhood roles. The mechanisms that will be put in place to monitor this target may further limit the scope of any potential savings. We may receive further information on the conditions for these grants linked to police reform.

- 6.7. 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.

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

- 7.1. 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.
- 7.2. Over those three years, the Police Uplift Programme funded a net additional 498 officers for HIOW at that time. 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.
- 7.3. 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 took the total net additional officers added since Uplift began to 725 officers. The funding of an additional 90 officers in the 2025/26 budget made that total 815 net additional officers since 2020.
- 7.4. The 2026/27 budget includes funding for a further 36 officers, which will take the total net additional officers funded since 2020 to 851 officers, taking the officer establishment to 3455 full time equivalent officers, representing a 33% increase in funded officer posts since 2020.
- 7.5. Further details in respect of the Neighbourhood Policing Grant are expected to be released in January, possibly linked to the Police Reform White Paper. It is possible that changes could be made to grant conditions for the Neighbourhood Policing Grant or Uplift Grant. We already know that the Additional Recruitment Top-Up Grant has been provisionally distributed on a different basis than was previously the case, resulting in a £2m (42%) reduction in Uplift funding for HIOW and that the Additional Recruitment Top-Up Grant appears to have been 'rolled into' the Neighbourhood Policing Grant. There is no longer any requirement to meet officer Uplift headcount targets for funding purposes, beyond 31 March 2026. The only target that must be hit to receive funding will be the Neighbourhood Policing Grant target.
- 7.6. 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.

- 7.7. The Constabulary has instigated Operation Elevate to manage the significant investment and effort that continues to be needed to attract police officer candidates to fill the funded posts.

## 8. CAPITAL PROGRAMME

- 8.1. 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.
- 8.2. Over the next 3 year period, a total investment of £83m is allowed for within the capital programme. The programme includes £69m for estates and £14m for vehicles over the next 3 years with the majority of funding coming from reserves. Any underspent allocations at the end of each financial year are rolled forward into the following financial year.
- 8.3. 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.
- 8.4. The Capital Programme is as set out below and in Appendix F:

**Table 9 – Capital Programme**

Capital Programme	2026-27	2027-28	2028-29	Total
	£m	£m	£m	£m
<b>Capital Expenditure:</b>				
Estates	20.7	28.4	20.0	69.1
Vehicles	5.0	5.0	4.0	14.0
<b>Total Expenditure</b>	<b>25.7</b>	<b>33.4</b>	<b>24.0</b>	<b>83.1</b>
<b>Funded by:</b>				
Capital receipts	(0.0)	0.0	0.0	0.0
Estates Reserves	(20.7)	(28.4)	(20.0)	(69.1)
Vehicle replacement revenue cont	(4.0)	(4.0)	(4.0)	(12.0)
Vehicle replacement reserve	(1.0)	(1.0)	(0.0)	(2.0)
Borrowing	0.0	0.0	0.0	0.0
<b>Total funding</b>	<b>(25.7)</b>	<b>(33.4)</b>	<b>(24.0)</b>	<b>(83.1)</b>

- 8.5. 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.

8.6. 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.

## 9. RESERVES AND FINANCIAL STABILITY

9.1. 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.

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

**Table 10 – Reserves Summary**

	<b>Actual as at 31 March 2025</b>	<b>Forecast as at 31 March 2026</b>	<b>Forecast as at 31 March 2030</b>
General Reserve	15.6	12.2	12.2
Earmarked Reserves	146.6	127.2	46.2
<b>Total Reserves available for use by the PCC to support Policing and ‘Beyond Policing’ to deliver the Police and Crime Plan</b>	<b>162.2</b>	<b>139.4</b>	<b>58.4</b>

9.3. H10W 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.

9.4. For example, H10W 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.

9.5. There are substantial reserves available (£73.6m 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.

9.6. 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.

- 9.7. HIOW also hosts the national ACPO Criminal Records Office (ACRO) and holds reserves for ACRO on behalf of all other PCCs.
- 9.8. 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.
- 9.9. 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.
- 9.10. 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)
- 9.11. Reserves are a one-off resource, which unless replenished, can rapidly diminish.
- 9.12. 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

9.13. 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.

9.14. The two main reserves available to the PCC to fund these cost pressures are the General Reserve and Earmarked Reserves.

9.15. **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 2026 is £12.2m.

9.16. **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.

9.17. **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

9.18. Further detail on reserves is set out in the Reserves Strategy attached as Appendix H.

## 10. RISK

10.1. 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 2026/27; 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 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 HLOW 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

10.2. 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.

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

## **11. PUBLIC ENGAGEMENT AND CONSULTATION**

11.1. The PCC ran a four week online precept consultation closing on December 2nd 2025.

11.2. The consultation timing was to enable the PCC to consider the views of the public of HLOW on the level of precept increase as part of her budget and precept proposal. In total, 4,154 responses were received.

- 11.3. A key outcome was that over 92% of respondents who answered the question relating to precept were supportive of a precept increase. However, it was not possible to consult on the specific quantum of £15 Band D due to the late announcement of the referendum limit.
- 11.4. The table shows the percentage of respondents favouring each of the options made available:

**Table 11 – Public consultation response**

Response to precept question	%
Lower than 4%	22.66%
4%	17.39%
4.50%	10.90%
5%	30.98%
Higher than 5%	10.63%
Other	7.44%

- 11.5. Unfortunately, respondents the grant and referendum limit was not announced by Government until after the consultation closed, so there was no opportunity to consult the public on the specific Government recommendation of a £15 Band D increase in precept, in the context of below inflation increases in Government grant.
- 11.6. However, the consultation was supportive of the need to increase council tax in order to deliver the key priorities set out by the PCC in the Police and Crime Plan.
- 11.7. Respondents were asked to set out their priority areas, which provided valuable insight for the PCC. The top 3 priority areas were:
- i) 50.3% saw tackling ASB as a priority
  - ii) 40.8% vehicle crime
  - iii) 38.2% burglary

## **12. CFO SECTION 25 REPORT**

- 12.1. 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.
- 12.2. The CFO's section 25 report, which provides a positive opinion on both of the above, is attached to this report as Appendix I.

### **13. SUMMARY**

- 13.1. The PCC is in increasing the precept by £15 for a Band D property, to deliver her vision and the priorities within her Plan.
- 13.2. The PCC has made a commitment to invest in an additional 20 police officers, and deliver overall new investment of £9.9m plus the creation of a £2m Innovation Fund.
- 13.3. The Chief Constable has set out the operational case in clear support of a precept increase. See Appendix A.
- 13.4. The public has supported the case for an increase in precept.
- 13.5. 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 £15 per annum.
- 13.6. A fully funded Capital Programme is proposed which will deliver £83.1m of investment over the next 3 years.
- 13.7. 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 Alexis Boon

In presenting my first operational statement as your chief constable, I have looked back over recent history. What truly stands out is the significant support local people have given to police funding in our counties over the years. This year's public survey reflects this extraordinary support yet again. Speaking on behalf of all the police officers, staff and volunteers I lead, we are all very grateful and are proud to serve our communities across the two counties. The difference such public endorsement makes cannot be understated.

### Efficiency first

With such support comes a financial responsibility to ensure that every penny that comes into policing from the pockets of hardworking people is spent wisely. The force has managed in this year to already find £1.4m of savings, taking the total in the three years since 2023/24 to £7.8m. In 2026/27 savings of a further £5.9m are identified. That we have managed this, despite growth in officer numbers, is testament to our prudent and effective planning.

The force will continue to benchmark itself and seek opportunities to deliver future efficiency. Initiatives such as Op Torchlight are testament to this. It is a scheme that will see us hit criminals hard, seizing their vehicles and reinvesting the proceeds from those vehicles into local policing.

### We must continue do more with what we have

Within the last 12 months, we have found new ways to do more while living within our means. This includes:

- **Trailblazing new technology in the form of the world's first virtual police agent, 'Bobbi'.** This gives people a new choice when seeking advice, or to report crime and incidents to us. This use of AI is cutting edge and has received both positive public feedback from victims of crime and global interest in this innovation. Furthermore, there is early evidence of high harm crime being reported that we do not believe would otherwise have been reported. Bobbi offers not just an improvement now but is an example of technology we want to invest in and build upon.
- **Becoming one of the pilot forces for Live Facial Recognition.** A technology that is just starting to show its worth and has huge potential. Taking this step required us to successfully bid for technology and vehicles from national funding and find a way to reprioritise so that

local police officers could harness the technology. Our use of this technology includes a focus on more quickly finding those who pose a serious risk to others in terms of sexual offences and violence.

- **The passion we share with our Police and Crime Commissioner for opening police stations to the public has continued.** The next phase is being funded largely through a far more efficient operating model. Doing more with the same. As well as promised stations in Gosport and Eastleigh progressing, residents of Bishops Waltham, Shanklin and Alton will now also benefit. Part of our commitment to a more visible and accessible police force.

### **A worrying national funding picture**

Before I go on, I feel compelled to highlight the situation with government funding for policing. Before Christmas it was announced that HIOW policing would receive a grant increase of 2.6%. This is at a time when government has already approved a pay settlement of 4.2% (I do not have that choice as chief constable) and non-pay inflation sits at 3.2%. This is a serious matter. As serious is a change in methodology for distributing additional recruitment monies. On 16<sup>th</sup> January, the PCC received a letter that suggests that the final settlement for HIOW may be a grant increase of 3.0% which is still below any measure of inflation and, therefore, represents a real term cut to police grant funding.

Chief constables and commissioners before me have explained at length the damage of the current national funding formula to this police force; how we don't get a fair proportion of central funding. I won't repeat this. Just before Christmas, unexpectedly and without any prior indication or consultation, the pain caused by this formula got bigger. Forces like ours who have worked hard to deliver high numbers of new officers to help achieve an overall national ambition, were funded in proportion to that extra effort and success. At moment's notice, this performance related element of funding appears to have been withdrawn and replaced with a new calculation based on the overall funding formula. The result for this force is £2m per year less to spend on putting police officers on to our streets. This money has vanished for 2026/27 and beyond.

Against this picture finding efficiency within force is even more important. It is also crucial that we seize every opportunity for local financial support. This is a critical reason as to why I strongly believe there is an operational requirement for the full £15 increase in council tax

### **Ambition to do more with local support**

With local support, we do have some positive choices. The full £15 local council tax precept increase is not just required, it is vital, allowing us to do things that are not possible otherwise. This is how it will make a difference to our communities:

- **A Fugitive team of fifteen new police officers, backed up by three new high harm analysts.** Harnessing intelligence and data **to improve our speed and** precision in hunting down, disrupting and arresting hyper prolific criminals and those who cause the most harm to our communities. A modest number of people can have a real massive impact here.
- **Five more local bobbies** to add to those that are already in place and **sixteen local policing officers** to further boost our neighbourhood policing capability. We especially need more local bobbies in rural areas where visibility and presence can be challenging owing to the vast geography.
- **Investing to harness the potential of Artificial Intelligence and Robotic Process Automation.** This is to support police officers and staff become more productive and free up officers from administration so they can be more visible in our communities. Officers and staff will be able to do more and focus on solving crimes that impact the public the most. They will be able to harness intelligence insight quicker, identify risk more effectively, and streamlining processes so more time can be spent doing the core job.
- **Enhanced technology for our vehicles.** Helping to maximise productivity, by keeping vehicles on the road, and more precisely deploying them to allow our officers and staff to best target criminality.
- **A multi-million further investment into our forensics capability.** Examining digital devices and more traditional forensic evidence gathering. With more police officers joining every month we can conduct more investigations, and with greater productivity we need a forensics service that can do more, is timelier for victims, and can harness the latest developments. This is good news for crime fighting and victims.
- **Maintaining a vital police staff post that is now proven to help keep officers well, healthy and on our frontline.** This recognises that it can't just be about more. It must also be about ensuring brilliant officers and staff are supported to give their all.

**I am also particularly excited about the Commissioner's £2m Innovation Fund.** In my first six months I have heard so many good ideas and opportunities from our staff. Sometimes we miss that opportunity or are too slow to seize upon it – having to wait for the next budget year to try something innovative that has already proved itself in another force or sector. Policing needs to be quicker to market and more adaptable, so the public see benefit far faster. Our Innovation Fund is part of landing that ambition.

## **Things we want to do but can't afford**

The ambition of this police force is far greater than its means; what we want to do cannot always be realised. The hard reality is that in making operational recommendations during this budget we have had to omit many things that could benefit our communities. If police funding continues to be pressured decisions will become even tougher.

There are factors that severely limit our choices on where we can spend to deliver improved police services. An example is victim and witness care. In this budget, we have had to make the case to the commissioner for one off funding of £0.7m for one year to keep supporting victims and witnesses as their court cases progress. Court backlogs keep growing significantly. This means supporting more people waiting longer to see justice as victims and give evidence as witnesses.

New technology can help, but the numbers waiting keep growing to such an extent that we need more staff too. If we step away, victims will not get the support and information they need and justice is at risk. We know that without this service more victims and witnesses are likely to disengage, and perpetrators evade justice or go on to reoffend. How much extra demand will that create across the criminal justice system?

It highlights an important point - why is policing alone picking up the bill for something we cannot influence? Next year, policing alone may very well not be able to afford to pick up the bill.

## **Conclusion**

The public are clear that they want more from their police service. We want that too. Our track record in recent years is one that gives us confidence we can continue to improve and deliver if backed. With national funding changing, local support can make the difference. Our ambition is to deploy more officers, make smarter use of technology, better ensure our officers and staff are productive, and pave the way for a service ready to meet the challenges of the future. These are all key components of our operational plans in the year ahead. To achieve this the maximum £15 rise in council tax is required. My commitment in return is a police service that continues to build on the positive improvement of recent years and continues to spend every penny wisely.

**Chief Constable Alexis Boon**

## Inflation and Assumptions

<b>Pay inflation each Sept</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Sept Pay Award	3.0%	2.5%	2.5%	2.5%

The inflation factor for pay each financial year is a combination of 5 months of inflation from the pay award in the September preceding the financial year and 7 months of inflation from the September pay award within the financial year. For example, the 2026/27 pay inflation increase is 5 months of the September 2025 pay award (4.2%) plus 7 months of the estimated September 2026 pay award (3.0%) =  $(5/12\text{ths} \times 4.2\%) + (7/12\text{ths} \times 3\%) = 3.5\%$

<b>Inflation</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
Pay Inflation for fin year	3.5%	2.7%	2.5%	2.5%
Default prices inflation*	2.0%	2.0%	2.0%	2.0%

\*Exact inflation is used for non-pay budget lines where it is known for certain contracts or where the commodity in question has a specific inflation %

<b>Employer Pension Contributions</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
Officers	35.3%	35.3%	35.3%	35.3%
Staff	16.3%	15.6%	15.6%	15.6%

<b>Funding</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
Police core grant	3.94%	2.58%	0.68%	2.00%
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	0.0%	0.0%	0.0%	0.0%
Neighbourhood Policing	0.0%	0.0%	0.0%	0.0%
<b>Sub-total for Govt grant</b>	<b>2.6%</b>	<b>2.2%</b>	<b>0.6%</b>	<b>1.7%</b>
<b>Precept</b>	<b>5.45%</b>	<b>4.82%</b>	<b>4.60%</b>	<b>1.99%</b>

## Appendix C

### Council Tax Precept

Increase by Band

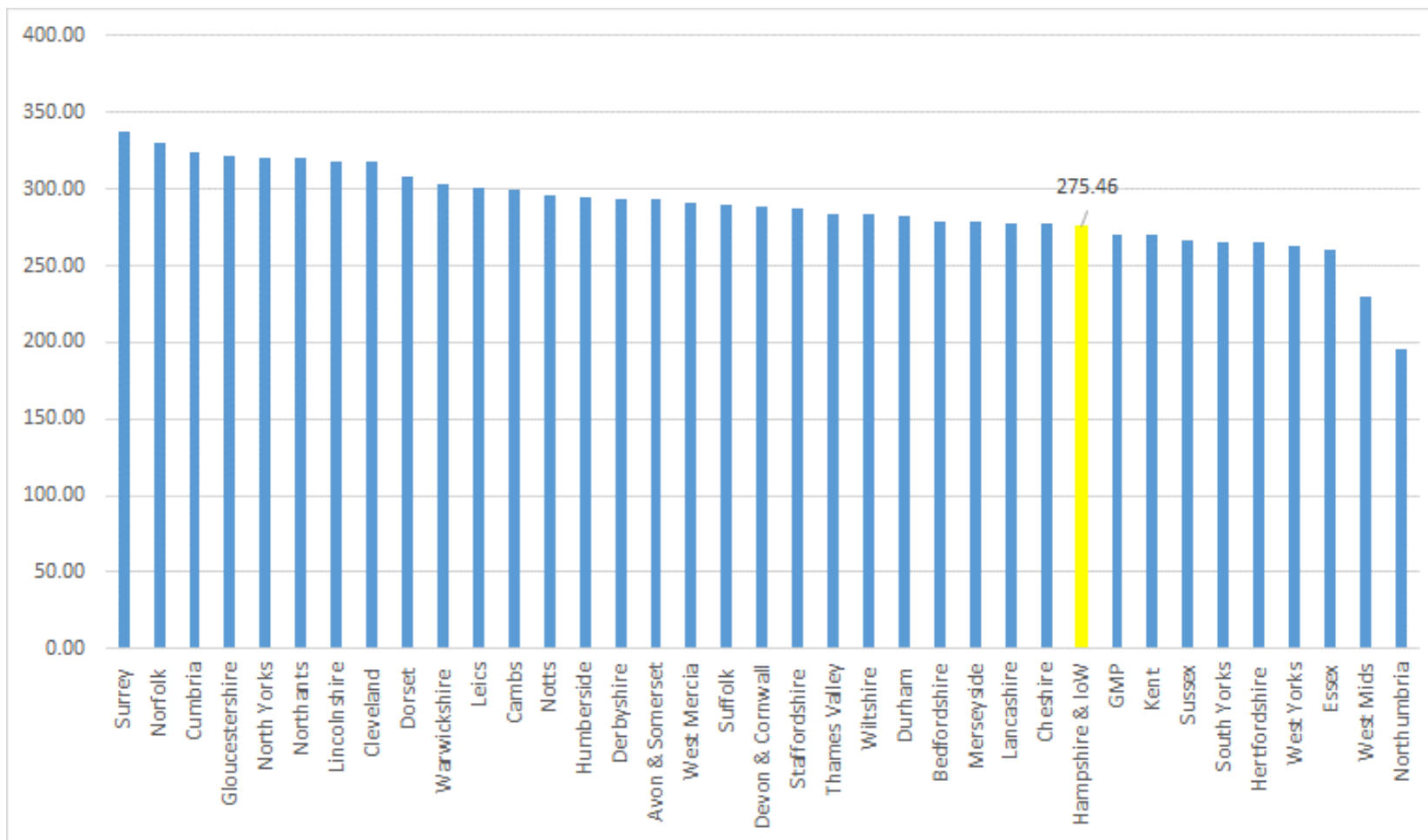
	Council Tax Precept 2025/26	Council Tax Precept 2026/27	Increase per annum	Increase per month	Increase per week	Increase %
A	183.64	193.64	10.00	0.83	0.20	5.45%
B	214.25	225.91	11.66	0.97	0.23	5.45%
C	244.85	258.19	13.34	1.11	0.26	5.45%
D	<b>275.46</b>	<b>290.46</b>	<b>15.00</b>	<b>1.25</b>	<b>0.30</b>	5.45%
E	336.67	355.01	18.34	1.53	0.36	5.45%
F	397.89	419.55	21.66	1.81	0.43	5.45%
G	459.10	484.10	25.00	2.08	0.50	5.45%
H	550.92	580.92	30.00	2.50	0.60	5.45%

Collection authority	Tax base	Precept
Basingstoke	70,432.50	20,457,823.95
East Hampshire	53,502.31	15,540,280.96
Eastleigh	50,141.58	14,564,123.33
Fareham	45,016.30	13,075,434.50
Gosport	27,129.10	7,879,918.39
Hart	43,265.59	12,566,923.27
Havant	43,340.20	12,588,594.49
New Forest	74,305.80	21,582,862.67
Rushmoor	33,721.50	9,794,746.89
Test Valley	53,102.00	15,424,006.92
Winchester	56,017.20	16,270,755.91
Portsmouth	58,973.40	17,129,413.76
Southampton	67,790.00	19,690,283.40
Isle of Wight	58,067.20	16,866,198.91
<b>Total</b>	<b>734,804.68</b>	<b>213,431,367.35</b>

## Comparison of Council Tax Precept by PCC 2025/26

	<b>Authority</b>	<b>Band D £</b>
1	Surrey	337.57
2	Norfolk	329.85
3	Cumbria	324.00
4	Gloucestershire	322.08
5	North Yorks	320.86
6	Northants	320.04
7	Lincolnshire	318.15
8	Cleveland	317.73
9	Dorset	307.58
10	Warwickshire	303.71
11	Leics	300.23
12	Camb	299.43
13	Notts	296.10
14	Humberside	295.17
15	Derbyshire	293.60
16	Avon & Somerset	293.20
17	West Mercia	291.50
18	Suffolk	289.53
19	Devon & Cornwall	288.20
20	Staffordshire	287.57
21	Thames Valley	283.28
22	Wiltshire	283.27
23	Durham	282.24
24	Bedfordshire	279.09
25	Merseyside	278.97
26	Lancashire	277.40
27	Cheshire	276.94
28	Hampshire & IoW	275.46
29	GMP	270.30
30	Kent	270.15
31	Sussex	266.91
32	South Yorks	265.04
33	Hertfordshire	265.00
34	West Yorks	263.28
35	Essex	260.37
36	West Mids	229.50
37	Northumbria	195.84
	Average	288.08
	Diff	12.62
	Taxbase	728768.6
	Cash diff	9,200,605

### Council Tax Precept Chart 2025/26



## Appendix D

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

Medium Term Financial Strategy	Starting Budget 2026/27	Inflation	Efficiency Savings	Growth & Budget Pressure	Other Changes	Funding Changes	Forecast Budget 2026/27	Forecast Budget 2027/28	Forecast Budget 2028/29	Forecast Budget 2029/30
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Funding:</b>										
Expected amount from General Grants	(245,952)	0	0	0	0	(18,518)	(264,470)	(271,602)	(273,432)	(278,901)
Council tax freeze and benefit grant	(12,944)	0	0	0	0	0	(12,944)	(12,944)	(12,944)	(12,944)
Pension Grant	(9,085)	0	0	0	0	0	(9,085)	(9,085)	(9,085)	(9,085)
Uplift Grant	(9,079)	0	0	0	0	9,079	0	0	0	0
Additional Recruitment Top Up	(4,794)	0	0	0	0	4,794	0	0	0	0
National Insurance Contribution	(5,838)	0	0	0	0	0	(5,838)	(5,838)	(5,838)	(5,838)
Neighbourhood Policing Grant	(5,188)	0	0	0	0	(4,299)	(9,487)	(9,487)	(9,487)	(9,487)
Council tax precept	(200,747)	0	0	0	0	(12,685)	(213,431)	(224,837)	(236,352)	(242,263)
Council tax collection fund surplus	(1,864)	0	0	0	0	379	(1,485)	0	0	0
<b>Total amount funding expected:</b>	<b>(495,491)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(21,250)</b>	<b>(516,741)</b>	<b>(533,793)</b>	<b>(547,138)</b>	<b>(558,518)</b>
<b>Expenditure owned by the PCC:</b>										
Executive	1,347	4	0	7	0	0	1,359	1,382	1,404	1,426
PCC Business	1,943	28	0	35	(42)	0	1,963	2,012	2,059	2,107
Commissioning CJ & Partnerships	4,167	0	0	11	681	0	4,858	4,883	4,907	4,932
Estates	26,050	2,049	(60)	317	444	0	28,801	29,599	30,415	31,256
Interest on Balances	(2,000)	0	0	0	0	0	(2,000)	(2,000)	(2,000)	(2,000)
Capital Financing	4,641	0	0	0	(12)	0	4,629	4,618	4,608	4,598
Reserve Transfers	15,551	0	(337)	2,123	(10,104)	0	7,234	10,339	10,373	10,373
<b>Net Expenditure owned by Office of the PCC</b>	<b>51,699</b>	<b>2,081</b>	<b>(397)</b>	<b>2,493</b>	<b>(9,033)</b>	<b>0</b>	<b>46,843</b>	<b>50,833</b>	<b>51,766</b>	<b>52,692</b>
<b>Police Services</b>										
<b>Expenditure:</b>										
Employees	380,617	21,355	(2,979)	3,650	347	0	402,991	417,478	429,462	441,472
Indirect Employee Costs	6,371	13	0	0	452	0	6,836	8,062	9,517	9,675
Premises	1,306	23	0	0	(70)	0	1,259	1,400	1,374	1,405
Transport	8,426	294	(17)	0	136	0	8,838	9,088	9,347	9,614
Supplies and Services	22,420	755	(2,305)	3,489	204	0	24,563	28,705	34,504	40,283
Third Party Payments & Support Service	78,339	1,262	(10)	283	508	0	80,382	82,169	84,172	86,285
<b>Total Expenditure on Police Services:</b>	<b>497,480</b>	<b>23,701</b>	<b>(5,311)</b>	<b>7,422</b>	<b>1,576</b>	<b>0</b>	<b>524,868</b>	<b>546,902</b>	<b>568,376</b>	<b>588,734</b>
<b>Income:</b>										
Fees & Charges	(11,624)	(18)	(15)	0	(668)	0	(12,325)	(12,245)	(12,902)	(13,180)
Grants & Contributions	(42,064)	(6)	(165)	0	(410)	0	(42,645)	(43,387)	(44,139)	(44,906)
<b>Total Income on Police Services:</b>	<b>(53,688)</b>	<b>(24)</b>	<b>(180)</b>	<b>0</b>	<b>(1,079)</b>	<b>0</b>	<b>(54,970)</b>	<b>(55,632)</b>	<b>(57,041)</b>	<b>(58,086)</b>
<b>Net Expenditure on Police Services:</b>	<b>443,792</b>	<b>23,677</b>	<b>(5,491)</b>	<b>7,422</b>	<b>498</b>	<b>0</b>	<b>469,898</b>	<b>491,270</b>	<b>511,336</b>	<b>530,647</b>
<b>Net Expenditure on PCC and Police Services</b>	<b>495,491</b>	<b>25,759</b>	<b>(5,888)</b>	<b>9,915</b>	<b>(8,536)</b>	<b>0</b>	<b>516,741</b>	<b>542,103</b>	<b>563,102</b>	<b>583,339</b>
<b>Budget (surplus)/ shortfall:</b>	<b>0</b>	<b>25,759</b>	<b>(5,888)</b>	<b>9,915</b>	<b>(8,536)</b>	<b>(21,250)</b>	<b>0</b>	<b>8,310</b>	<b>15,963</b>	<b>24,822</b>

## Appendix E

### Detailed explanation of revenue budget investment

- 1.1. As set out in the report, the revenue budget pressures and growth for 2026/27 total **£9.9m** as shown in the table below. The table below summarises the budget pressures with further detail provided below for each of those headings.

	<b>26/27</b> £	<b>27/28</b> £	<b>28/29</b> £	<b>29/30</b> £
<b>Ongoing budget</b>	<b>6,638,400</b>	<b>5,374,900</b>	<b>5,374,900</b>	<b>5,374,900</b>
<b>One-off budget</b>	<b>3,277,500</b>	<b>435,300</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>9,915,900</b>	<b>5,810,200</b>	<b>5,374,900</b>	<b>5,374,900</b>

#### Ongoing costs

<b>Ongoing budget £</b>	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Local Bobbies & Neighbourhood officers	1,622,000	1,622,000	1,622,000	1,622,000
Fugitive Team Officers	975,000	975,000	975,000	975,000
Fugitive Team Analysts	180,000	180,000	180,000	180,000
Forensics	3,434,000	2,170,500	2,170,500	2,170,500
Wellbeing	57,500	57,500	57,500	57,500
Estates cleaning	307,400	307,400	307,400	307,400
Misconduct panel	35,000	35,000	35,000	35,000
Commissioning	10,500	10,500	10,500	10,500
Vetting outsourcing	10,000	10,000	10,000	10,000
Staff Allowance	7,000	7,000	7,000	7,000
<b>Total</b>	<b>6,638,400</b>	<b>5,374,900</b>	<b>5,374,900</b>	<b>5,374,900</b>

## 2. Ongoing Costs

- 2.1. **Additional Police Officers (Local Bobbies and Neighbourhood Officers)** – The budget allows for 5 more local bobbies who will provide a dedicated neighbourhood policing to the local communities that they serve. The local bobbies initiative created in HIOW has been well received by residents and become a national requirement for all forces

under the Neighbourhood Policing Guarantee. There is also funding for a further 16 Neighbourhood officers.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	1,622,000	1,622,000	1,622,000	1,622,000

- 2.2. **Additional Police Officers (Fugitive Team)** – A further 15 officers are included to create a Fugitive Team that will target high harm offenders across the counties of Hampshire and the Isle of Wight.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	975,000	975,000	975,000	975,000

- 2.3. **Fugitive Team Analysts** – The Fugitive Team will include 3 Analysts to ascertain and develop intelligence on high harm offenders for targeted arrests.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	180,000	180,000	180,000	180,000

- 2.4. **Forensics and Digital Forensics**– Ongoing funding to pay for the additional cost created by more officers investigating more crimes. The 2025/26 forensic budget is £2m overspent due to the increase in demand for ‘wet’ forensics. In addition, the increase in the number of devices needing to be examined from victims, witnesses and suspects has created a £1.4m funding pressure for digital forensics. Scientific Services Department will review the cost effectiveness of forensic submissions with a view to potential efficiencies in the future.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	3,434,000	2,170,500	2,170,500	2,170,500

- 2.5. **Wellbeing Risk Manager** – To support offices and staff that are subject to gross misconduct/criminal investigation. The role will be responsible for triaging risk on an ongoing basis.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	57,500	57,500	57,500	57,500

- 2.6. **Estates** – Increase for cleaning costs for new buildings and price increases due to National Insurance and Minimum Wage increases.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	307,400	307,400	307,400	307,400

- 2.7. **Misconduct panel independent members** – Legislative changes to panel structures.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	35,000	35,000	35,000	35,000

- 2.8. **Commissioning** – Increase to Portsmouth Substance Misuse support contract.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	10,500	10,500	10,500	10,500

- 2.9. **Vetting** – All contractors coming onto police sites require vetting. Vetting of non-police personnel can be undertaken on an outsourced basis which can result in earlier clearances and reduce the burden on the in-house team.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	10,000	10,000	10,000	10,000

- 2.10. **Staff allowances** – Budget to cover staff allowances.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	7,000	7,000	7,000	7,000

### One-off costs

<b>One-off budget £</b>	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Victim & Witness Unit	721,300	0	0	0
Mapping Upgrade	686,200	0	0	0
Duties System	414,000	435,500	0	0
Niche Digital Case File	403,000	0	0	0
Triage Hub AI & RPA	283,000	0	0	0
Contact Mgt Futures	270,000	0	0	0
Gov Wifi	143,500	0	0	0
Op Torchlight	94,600	0	0	0
Radio Network (ESMCP)	70,500	0	0	0
Safety Training equipment	55,200	0	0	0
IT Service Desk AI	49,600	0	0	0
Protective Monitoring	38,500	0	0	0
Single Online Home	31,200	0	0	0
Livetime Facial Recognition	22,100	0	0	0
Joint ICT Applications	-5,200	0	0	0
<b>Total</b>	<b>3,277,500</b>	<b>435,300</b>	<b>0</b>	<b>0</b>

### **3. One-off costs**

- 3.1. **Victim and Witness Care Unit** – One off funding for one year to extend the temporary contracts for 15 staff working in the Unit who keep victims and witnesses up to date with develops in their cases, particularly in relation to court dates. The Unit helps to make sure that the Constabulary meets the statutory requirements of the Victims Code.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	721,300	0	0	0

- 3.2. **Contact Management Mapping Upgrade** – One-off costs to replace the current mapping solution which is end of life and going out of support with a software as a service solution that provides ongoing annual savings of circa £54k per annum, once the new solution is in place.

	26/27	27/28	28/29	29/30
Budget (£)	686,200	0	0	0

- 3.3. **Duties Management Solution** – Replacement of the current CARM4 duties management system which is end of life (unsupported from July 2027). One-off funding across two years for the implementation of cross-over of systems.

	26/27	27/28	28/29	29/30
Budget (£)	414,000	435,500	0	0

- 3.4. **Niche Digital Case File Upgrade** – To upgrade the current Niche RMS case management system to be compatible with the national Digital Case File requirements which will be the only method available for transferring case files into the criminal justice process.

	26/27	27/28	28/29	29/30
Budget (£)	403,000	0	0	0

- 3.5. **Triage Hub Agentic AI and Robotic Process Automation** – To fund the one-off project costs to implement agentic AI and RPA into the Triage Hub processes to speed up the time taken to search databases for relevant information. All key decisions will continue to be taken by suitably trained personnel. The expectation is that circa £38k pa could be saved as a result.

	26/27	27/28	28/29	29/30
Budget (£)	283,000	0	0	0

- 3.6. **Contact Management Futures project** – One-off funding for a project team to deliver a phase 1 upgrade the existing telephone solution and create the business case for ongoing contact management change that will lead to a Contact Centre as a Service (CCaaS) solution for the whole of Contact Management, that expects to generate significant service benefits for the public and technology cost saving opportunities.

	26/27	27/28	28/29	29/30
Budget (£)	270,000	0	0	0

- 3.7. **Modernising Gov Wifi** – Further one-off funding to replace legacy guest Local Area Networks. Expected to reduce ongoing technology cost by circa £43k pa.

	26/27	27/28	28/29	29/30
Budget (£)	143,500	0	0	0

- 3.8. **Operation Torchlight income generation**– An uplift to the Vehicle Recovery team that will provide capability to seize and sell vehicles that are suspected of being used for unlawful purposes. This has already been introduced in other forces successfully with an expectation that income generated would exceed the cost of the staff investment by £155k in 2028/29 and £255k in 2029/30.

	26/27	27/28	28/29	29/30
Budget (£)	94,600	0	0	0

- 3.9. **Emergency Services Mobile Communications Programme (ESMCP)**  
– Local non-core costs to support the national programme that replace the current Airwave radio system with a new Emergency Services Network.

	26/27	27/28	28/29	29/30
Budget (£)	70,500	0	0	0

- 3.10. **Personal Safety Training equipment** – Changes made by the College of Policing to the training requirements have increased the training time per individual, requiring a second venue for training. The College of Policing is currently undertaking steps to review the changes that have been made as a result of feedback from forces. This funding will not be used if the College of Policing makes further changes that means that it is not necessary.

	26/27	27/28	28/29	29/30
Budget (£)	55,200	0	0	0

- 3.11. **Agentic AI Service Desk** – Costs for a project team to implement AI for the ICT Service Desk that aims to deliver annual savings of £80k pa.

	26/27	27/28	28/29	29/30
Budget (£)	49,600	0	0	0

- 3.12. **Protective Monitoring**– Upgrade to the VPro system to move to a cloud based storage. Expected to release savings in subsequent years rising to £37k pa.

	26/27	27/28	28/29	29/30
Budget (£)	38,500	0	0	0

3.13. **Single Online Home** – Upgrade costs to the latest version as the legacy version becomes end of life.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	31,200	0	0	0

3.14. **Livetime Facial Recognition** – ICT resource required to build and maintain ‘watchlists’ for the software to spot wanted people.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	22,100	0	0	0

3.15. **Joint ICT Applications** – Changes to ICT applications supplied which results in an immediate payback.

	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>
Budget (£)	-5,200	0	0	0

## Capital Programme

Capital Programme	2026-27	2027-28	2028-29	Total
	£m	£m	£m	£m
<b>Capital Expenditure:</b>				
Estates	20.7	28.4	20.0	69.1
Vehicles	5.0	5.0	4.0	14.0
<b>Total Expenditure</b>	<b>25.7</b>	<b>33.4</b>	<b>24.0</b>	<b>83.1</b>
<b>Funded by:</b>				
Capital receipts	(0.0)	0.0	0.0	0.0
Estates Reserves	(20.7)	(28.4)	(20.0)	(69.1)
Vehicle replacement revenue cont	(4.0)	(4.0)	(4.0)	(12.0)
Vehicle replacement reserve	(1.0)	(1.0)	(0.0)	(2.0)
Borrowing	0.0	0.0	0.0	0.0
<b>Total funding</b>	<b>(25.7)</b>	<b>(33.4)</b>	<b>(24.0)</b>	<b>(83.1)</b>

## Capital and Investment Strategy 2026/27 to 2028/29

### 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**

- 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 Programme	2026-27	2027-28	2028-29	Total
	£m	£m	£m	£m
<b>Capital Expenditure:</b>				
Estates	20.7	28.4	20.0	69.1
Vehicles	5.0	5.0	4.0	14.0
<b>Total Expenditure</b>	<b>25.7</b>	<b>33.4</b>	<b>24.0</b>	<b>83.1</b>
<b>Funded by:</b>				
Capital receipts	(0.0)	0.0	0.0	0.0
Estates Reserves	(20.7)	(28.4)	(20.0)	(69.1)
Vehicle replacement revenue cont	(4.0)	(4.0)	(4.0)	(12.0)
Vehicle replacement reserve	(1.0)	(1.0)	(0.0)	(2.0)
Borrowing	0.0	0.0	0.0	0.0
<b>Total funding</b>	<b>(25.7)</b>	<b>(33.4)</b>	<b>(24.0)</b>	<b>(83.1)</b>

### 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.

# **RESERVES STRATEGY 2026/27**

# 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 usable reserves by March 2030 to £58m (down from £162m at the end of March 2025), of which the General Reserve would be £12m, which is just under 2.4% of the 2026/27 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 re-provision 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 2025, the forecast position as at 31 March 2026 and the forecast position through to the end of the medium term financial strategy as at 31 March 2030:

	Actual as at 31 March 2025	Forecast as at 31 March 2026	Forecast as at 31 March 2030
General Reserve	15.6	12.2	12.2
Earmarked Reserves	146.6	127.2	46.2
<b>Total Reserves available for use by the PCC to support Policing and 'Beyond Policing' to deliver the Police and Crime Plan</b>	<b>162.2</b>	<b>139.4</b>	<b>58.4</b>
Ring fenced Reserves held on behalf of others not available to spend by the PCC	9.7	9.7	9.7
<b>Total Reserves</b>	<b>171.9</b>	<b>149.1</b>	<b>68.1</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 £12.2m at the end of March 2026 after utilising £2.0m to create the Innovation Fund and £1.3m to fund one-off Forensics costs in 2026/27. This equates to 2.4% of the 2026/27 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 2025	Forecast as at 31 March 2026	Forecast as at 31 March 2030
	£m	£m	£m
Carry Forward Reserve	1.7	0.5	0.0
Estate Reserves	73.6	68.5	19.1
IT Services Reserve	31.9	31.7	7.1
Replacement Reserves	9.7	7.0	8.0
Trading Reserves	2.7	1.9	1.5
Insurance Reserve	1.5	1.5	1.5
Grant Equalisation Reserve	3.0	3.0	3.0
Pension Remedy Reserve	0.7	0.0	0.0
Special Grant Reserve	7.9	3.3	0.0
Inflation Reserve	4.7	2.0	0.0
Investment Risk Reserve	0.2	0.2	0.2
Commissioner's Reserve	4.1	4.3	3.6
Transformation Reserve	4.9	1.3	0.2
Innovation Fund	0.0	2.0	2.0
<b>Total Earmarked Reserves</b>	<b>146.6</b>	<b>127.2</b>	<b>46.2</b>

### Earmarked Reserves

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

- ii) **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.
- iii) **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.
- iv) **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.
- v) **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.
- vi) **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.
- vii) **Grant Equalisation Reserve** will be used to offset and manage future uncertainty in the level of Police grant.
- viii) **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.
- ix) **Special Grant Reserve** for covering the costs of ongoing major policing operations.
- x) **Inflation Reserve** held to cover additional pressures from higher than expected inflation costs, particularly utilities.
- xi) **Investment Risk Reserve** holds funds received from interest receipts that may be required to offset capital debts when disinvestment takes place from investments.
- xii) **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.
- xiii) **Transformation Reserve** has been utilised to pay for the cost of changes required during the austerity era. This reserve will close.

- xiv) **Innovation Fund** is a new fund created by the PCC to incentivise and fund new initiatives that can result in efficiencies. The fund is formed by a one-off contribution of £2m from the General Reserve with savings from initiatives being used to replenish funds invested.

## 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 2025	Forecast as at 31 March 2026	Forecast as at 31 March 2030
ACRO Surety	3.0	3.0	3.0
AVCIS Surety	0.3	0.3	0.3
ACRO General Reserve	6.4	6.4	6.4
<b>Total</b>	<b>9.7</b>	<b>9.7</b>	<b>9.7</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

	Forecast Balance 31.3.26	Analysis of how the forecast 31 <sup>st</sup> March 2026 Reserves will be utilised		
		Planned Expenditure on projects and programmes over the medium term to 2029/30	Funding for Specific projects and programmes beyond 2029/30	As a general contingency to meet other expenditure needs
		£m	£m	£m
General Reserve	12.2	0.0	0.0	12.2
Carry Forward	0.5	0.5	0.0	0.0
Estate	68.5	49.4	19.1	0.0
IT Services	31.7	24.6	7.1	0.0
Replacement	7.0	-1.0	8.0	0.0
Trading	1.9	0.4	1.5	0.0
Insurance	1.5	0.0	1.5	0.0
Grant Equalisation	3.0	0.0	0.0	3.0
Special Grant	3.3	3.3	0.0	0.0
Inflation	2.0	2.0	0.0	0.0
Investment Risk	0.2	0.0	0.2	0.0
Commissioner's	4.3	0.7	3.6	0.0
Transformation	1.3	1.2	0.1	0.0
Innovation Fund	2.0	0.0	2.0	0.0
<b>Total Useable Reserves</b>	<b>139.4</b>	<b>81.1</b>	<b>43.1</b>	<b>15.2</b>

## Appendix 2 – Analysis of profile

	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30
<b>General Fund</b>	<b>-15,578</b>	<b>-12,155</b>	<b>-12,155</b>	<b>-12,155</b>	<b>-12,155</b>	<b>-12,155</b>
<b>Fully committed to Existing Spend Programmes</b>						
Carry Forward Reserve	-1,675	-524	-34	0	0	0
Estate Reserve	-73,600	-68,513	-54,417	-30,392	-14,767	-19,142
IT Services Reserve	-31,898	-31,654	-32,230	-18,933	-6,731	-7,056
Replacement Programme Reserve	-9,660	-7,049	-6,049	-6,049	-7,049	-8,049
<b>Trading Reserves</b>						
Safer Roads Reserve	-1,559	-952	-567	-562	-557	-552
HC Trading Reserves	-1,188	-951	-945	-945	-945	-945
<b>Risk Reserves</b>						
Insurance Reserve	-1,500	-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	-738	0	0	0	0	0
Op Magenta Reserve	-7,877	-3,288	0	0	0	0
Inflation Reserve	-4,700	-2,000	-1,000	0	0	0
Investment Risk Reserve	-240	-240	-240	-240	-240	-240
<b>Corporate Reserves</b>						
Commissioner's Reserve	-1,124	-848	-229	-229	-229	-229
Commissioner's Reserve	-3,011	-3,403	-3,393	-3,393	-3,393	-3,393
Transformation Reserve	-4,819	-1,243	-225	-175	-125	-95
Innovation Fund	0	-2,000	-2,000	-2,000	-2,000	-2,000
<b>ACRO Reserves</b>						
AVCIS Surety	-326	-326	-326	-326	-326	-326
ACRO General Reserve	-6,400	-6,400	-6,400	-6,400	-6,400	-6,400
ACRO Surety	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000
Total GF	-15,578	-12,155	-12,155	-12,155	-12,155	-12,155
Total Earmarked	-146,588	-127,164	-105,830	-67,418	-40,536	-46,201
Total other	-9,726	-9,726	-9,726	-9,726	-9,726	-9,726
<b>TOTAL RESERVES</b>	<b>-171,892</b>	<b>-149,046</b>	<b>-127,711</b>	<b>-89,300</b>	<b>-62,418</b>	<b>-68,083</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 2026/27 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 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 2026/27 financial year, with no information on grant or council tax precept for 2027/28 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 meetings took 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 in future years of £5m per annum.

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

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 2026/27 and the MTFS**

- a) **Government Funding** - The one year Police Spending Settlement announced in December 2025 only provided Police Grant, Uplift Grant, Pension Grant, Legacy Grant, National Insurance Grant, Neighbourhood Policing Grant and the Referendum level for precept for 2026/27. This is a key risk as the funding position beyond 2026/27 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 future position is more difficult to predict due to potential changes that may be made to police governance and structures.

The risk mitigation has been to include very prudent estimates within the MTFS for future funding. 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 has only announced the precept referendum level for 2026/27, 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 felt to be a prudent approach, based on the funding indications in the Spending Review.
- 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 grant assumptions over the duration of the MTFS period
- the allowable maximum precept increase is less than assumed
- 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) **Estates Reserve** – to fund capital investment required in the estate
- ii) **IT Reserves** – to cover replacement costs for technology, including the replacement of the Airwave radio system
- iii) **Grant Equalisation Reserve** - this reserve will be used to offset and manage future uncertainty in the level of Police grant
- iv) **Special Grant Reserve** – to cover the costs of long-term police operations.

- v) **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 2030 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 2026/27 – 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 2026/27.

## **Cash Flow**

As part of setting the budget, I have reviewed the cash flow forecast for the period through until end of March 2027. 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.

## **Accounting**

In common with most other public bodies, the PCC and Constabulary to continue to work with our external auditors to build back reassurance on accounting after the national audit staff shortages resulted in most public bodies not receiving a full audit opinion in 2023/24. External audit reports to continue to raise no significant issues of concern for the PCC or Constabulary and give a positive assurance in relation to value for money.

## **The Position Beyond 2026/27**

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 2026/27

The budget consultation took place via an online survey. This was open for 4 weeks, closing on 2<sup>nd</sup> December 2025. During this time, we heard from 4,154 residents from across our 14 districts.

### Precept increase

Participants were asked what precept increase they would be willing to pay for the precept in 2026/27. Unfortunately, the referendum limit was not announced for policing until after the survey closed, so it was not possible to consult on the £15 referendum limit or set out the real term reductions in government grant for H10W.

The responses do indicate that the majority of respondents would be prepared to pay more precept to support policing and the delivery of the Police and Crime Plan.

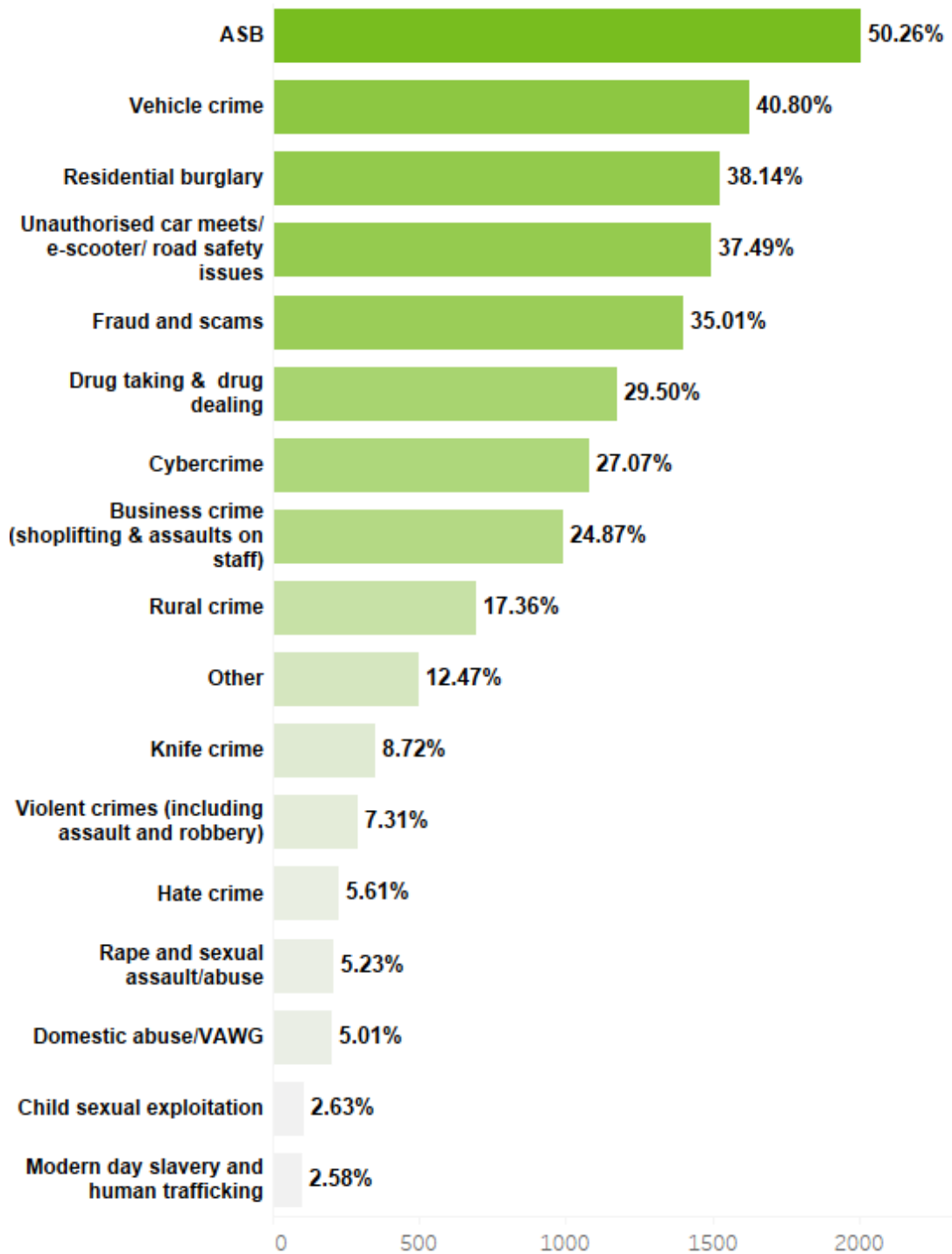
Response to precept question	%
Lower than 4%	22.66%
4%	17.39%
4.50%	10.90%
5%	30.98%
Higher than 5%	10.63%
Other	7.44%

### 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: 50.3%
- Vehicle crime: 40.8%
- Burglary: 38.2%

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



## Responses by District

