

Proposed Council Tax and Revenue & Capital Budgets 2025/26

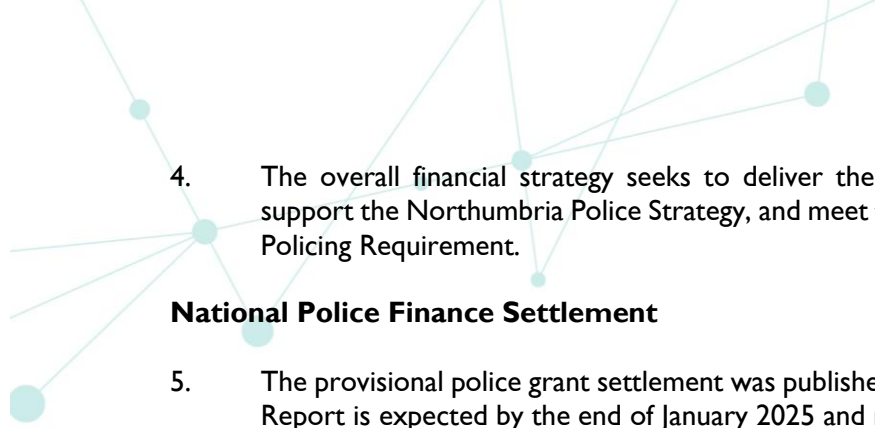
1. Summary of Proposed Council Tax and Revenue & Capital Budgets 2025/26:
 - A proposed revenue budget of £405.444m for policing and crime reduction that includes:
 - Maintaining the Northumbria police officer Uplift.
 - Capital investment in buildings, vehicles, and new technology of £60.797m.
 - Proposed increase of £14.00 per year on the Council Tax Precept for a Band D property in 2025/26 to raise an additional £5.925m income, which will help keep the force appropriately resourced, meet budgetary pressures and allow for some investment. Potential areas include:
 - Prevention of ASB in urban and rural communities.
 - Tackling fraud and online crimes.
 - Targeting offenders and preventing Child Sexual Exploitation (CSE).
 - Increasing resourcing to help bring offenders to justice.

Considerations

2. In preparing the Revenue and Capital Budgets for 2025/26 the following have been considered:
 - The key principles underlying the Medium Term Financial Strategy (MTFS).
 - The Police Grant settlement for 2025/26 which has provided detail on Home Office core grant funding for both revenue and capital, legacy Council Tax grants, Special Pension Grant, National Insurance Compensation Grant, National police officer Uplift funding, Neighbourhood Policing Grant allocations and the referendum limits for increases to the Council Tax Precept.
 - The overall financial position of the force including: The likely revenue and capital outturn for 2024/25; budget pressures and savings identified for 2025/26; and the level of reserves available to the PCC.
 - Delivery of the Police and Crime Plan.
 - Risk assessments.
 - The Prudential Code for Capital Finance in Local Authorities.

Financial Strategy

3. The 2025/26 budget is part of the four-year Medium Term Financial Strategy (MTFS).

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4. The overall financial strategy seeks to deliver the Commissioner's Police and Crime Plan, support the Northumbria Police Strategy, and meet the requirements of the National Strategic Policing Requirement.

National Police Finance Settlement

5. The provisional police grant settlement was published on 17 December 2024. The Final Grant Report is expected by the end of January 2025 and no changes are anticipated.

6. The key headlines from the settlement are:

- A £657.100m increase in government grant income to PCCs which includes:
 - An increase of £339.000m to Core Grant.
 - £230.300m to compensate territorial forces for the costs of the change to the employer National Insurance Contributions from 2025/26.
 - An additional £100.000 million to kickstart the first phase of 13,000 additional police officers, PCSOs and special constables into neighbourhood policing roles.
- The increase of £339.000m to Core Grant was confirmed by the Home Office as being partially offset by a reduction of £75.000m to the amount paid to forces as ring-fenced Uplift Grant, with the net increase being £264.000m.
- The ring-fenced Uplift Grant allocated to PCCs has therefore been reduced by £75.000m for 2025/26.
- The Governments priorities are outlined in the [Written Ministerial Statement](#) (WMS) on the Provisional Police Grant Report 2025/26. The Minister of State for Policing, Fire and Crime Prevention set out an expectation that police forces approach the 2025/26 financial year with a focus on delivering the government's priorities, as set out in the Prime Minister's Plan for Change:
 - Increasing the number of officers, PCSOs and Special Constables in neighbourhood policing teams.
 - Tackling violence against women and girls.
 - Reducing knife crime.
 - Cracking down on anti-social behaviour.
 - And by doing these things, increasing public confidence in policing.
- The government states that they are committed to *'increasing policing visibility to protect our communities and restore confidence in policing'*, and *'to support delivery of our Safer Streets mission, our priority is to increase neighbourhood policing roles'*.
- Ring-fenced Uplift Grant is £376.800m in total for 2025/26.
- £106.700m of ring-fenced grant will be paid to the forces who volunteered to recruit above their Uplift target as an 'additional recruitment top-up grant'.
- Force shares of the remaining £270.100m ring-fenced grant will be conditional and paid to PCCs if they have maintained their overall officer maintenance headcount, inclusive of their portion of additional recruitment.
- Specific grant funding allocated to forces to manage part of the increased cost of employer pension contributions has been reduced by £31.000m. This is to remove the one-off element of funding provided for 2024/25 and to reallocate funding to Counter Terrorism Policing to correct an oversight by the former government.

- Legacy grants relating to Council Tax and freeze grants for 2011/12 and 2014/15 remain payable.
- Council Tax Referendum Limits –The referendum limit for 2024/25 was £13.00 per year for a Band D property, and for 2025/26 the limit has been increased to £14.00 for a Band D property.
- Police Capital Funding – For the fourth year running there is no capital grant funding allocated to police forces in the settlement.

Northumbria Settlement

7. The total grant increase for Northumbria is £16.634m.

| Northumbria Settlement | £m |
|---|---------------|
| Core Grant – formula funding share (3.08%) of £339.000m | 10.441 |
| Uplift Grant - Reduction in ring-fenced grant, formula funding share (3.08%) of £75.000m. | (2.310) |
| National Insurance Compensation Grant – New for 2025/26 | 5.736 |
| Neighbourhood Policing Grant – New for 2025/26 | 3.080 |
| Special Pension Grant – reduction to remove one-off funding element provided for 2024/25 and a transfer to Counter Terrorism to correct an oversight by the former government. | (0.823) |
| Additional Uplift Grant (78+31 officers) – increase to account for higher cost of officers | 0.510 |
| Total Increase in Funding | 16.634 |

8. Whilst the increase in government grant funding appears significant, it remains targeted to pay for maintenance of the national police officer Uplift, new investment in Neighbourhood Policing and to offset specific additional costs of National Insurance.
9. The allocation to Northumbria for Neighbourhood Policing investment is £3.080m and whilst the terms and conditions associated with this grant are yet to be released by government, the expectation is that the force will utilize the grant in full in order to deliver the government’s priorities and to maximize the overall benefit for Northumbria residents.
10. The original Uplift target set for Northumbria of 615 officers is expected to be maintained. In addition, the force has been allocated a further 109 officers (78 ‘Batch 1’ and 31 ‘Batch 2’ Additional Recruitment) from within the 2,025 ‘additional recruitment’ nationally. The total Uplift allocation for Northumbria in 2025/26 is therefore 724 officers, unchanged against 2024/25. Uplift non-conditional grant of £5.743m is payable in 2025/26 in respect of the additional recruitment representing £0.053m per officer.
11. Government have confirmed their expectation that the total Uplift of 724 officers is maintained in full, and the ring-fenced Uplift grant income allocated to Northumbria of £10.781m is conditional on that basis.
12. Northumbria will continue to receive legacy grants totaling £8.168m, relating to Council Tax and freeze grants for 2011/12 and 2014/15.
13. Capital grant funding allocated by the Government for Northumbria is nil, as for 2024/25. The lack of Government support for the vital capital investment needed by policing remains a

significant challenge for Northumbria and indeed all forces. Investment in sustainable technologies, vehicles, and estates as well as the digital transformation required to ensure the force remains fit for the future, comes at a considerable cost. Capital investment required over the medium term is estimated at more than £140.000m for Northumbria. Without the necessary financial support from Government the essential cost of that investment will need to be met by efficiencies, budget reductions and places further pressure on the vital funding provided by local residents.

14. **Council Tax Precept** – The Government has proposed a precept referendum limit for 2025/26 that enables PCCs to raise additional funding for local priorities through an increase of up to £14.00 per year for a Band D property. However, it is for locally accountable PCCs to take decisions on local precept and explain to their electorate how the additional funding will be invested in police services.

Capital Programme

15. On 29 February the former Commissioner approved the original Capital Budget of £29.940m for 2024/25. At Q1 the budget was revised at £36.705m to take into account:
- The Northumbria Police Estates Strategy 2024 – 2030 approved in April 2024.
 - Revised estimates and phasing of capital spend, including slippage from the 2023/24 financial year.
16. At Q3 the budget was revised to £20.012m, taking into account the latest capital estimates and spend profile, with the movement primarily attributed to major schemes being re-profiled into the new MTFS 2025/26 to 2028/29 capital programme.
17. The following table sets out the forecast outturn position for 2024/25 and a summary of the proposed capital programme for 2025/26:

| Capital Programme | Capital Programme 2024/25 £000 | Revised Budget 2024/25 £000 | Forecast Outturn 2024/25 £000 | Forecast Variance 2024/25 £000 | Budget Estimate 2025/26 £000 |
|--|--------------------------------------|--------------------------------------|--|---|---------------------------------------|
| Building Works | 18,102 | 4,470 | 4,470 | - | 38,806 |
| Digital Policing and Digital Transformation | 9,126 | 7,826 | 7,826 | - | 12,846 |
| Vehicles and Equipment | 8,849 | 6,655 | 6,655 | - | 8,145 |
| NEROCU Schemes | 245 | 245 | 245 | - | 402 |
| Funded Schemes | 382 | 817 | 817 | - | 598 |
| Total | 36,705 | 20,012 | 20,012 | - | 60,797 |

18. Key areas to note in the proposed capital programme are:
- **Major and Minor Building Schemes** – The force has a programme of refurbishment and adaptation aimed at improving the condition of the estate with a focus on staff wellbeing as well as being able to fully accommodate the Uplift in officer numbers. A significant work programme over the medium term will focus on the delivery of energy investment schemes, fleet decarbonisation and infrastructure to support charging for electric vehicles. In addition, following a comprehensive review of the estates provision, the force is investing in a new dog kennelling provision, a new public order facility and a single site for the force control room and associated gold/silver multi-agency capability.

- **Digital Policing and Digital Transformation** – The force has a number of significant improvement schemes to deliver change and efficiency through transformation which includes considerable investment in IT and digital infrastructure. We have commenced the process of replacing key IT infrastructure which will include the replacement of all core operating systems; investment in data and analytics; and investment required in preparation for implementation of the National Emergency Services Network (ESN) within Northumbria.
- **Vehicles and Equipment** – Continued planned investment in the replacement of force vehicles, in accordance with delivery of the rolling programme of fleet investment with a focus on fleet decarbonisation, electric vehicles and sustainable technologies. The provision and upgrading of personal issue equipment including Taser capability, £1.395m for body-worn video and £0.400m for body worn armour replacement. Ensuring those who protect us are kept safe, and those who threaten our safety face well-equipped officers.

Revenue Budget Position 2024/25

19. The Commissioner's Group revenue budget for 2024/25 is £378.104m. The Quarter 3 revenue monitoring report shows a projected underspend of £4.338m as at 31 December 2024.

| Revenue Budget 2024/25 Group Position | Revised Budget 2024/25 £000 | Forecast Outturn 2024/25 £000 | Forecast Variance 2024/25 £000 |
|---|--------------------------------------|--|---|
| Chief Constable | 362,122 | 359,119 | (3,003) |
| Office of the Police & Crime Commissioner | 1,907 | 1,861 | (46) |
| OPCC Supporting Services | 1,442 | 1,417 | (25) |
| Capital Financing | 12,633 | 11,369 | (1,264) |
| Group Position Total | 378,104 | 373,766 | (4,338) |

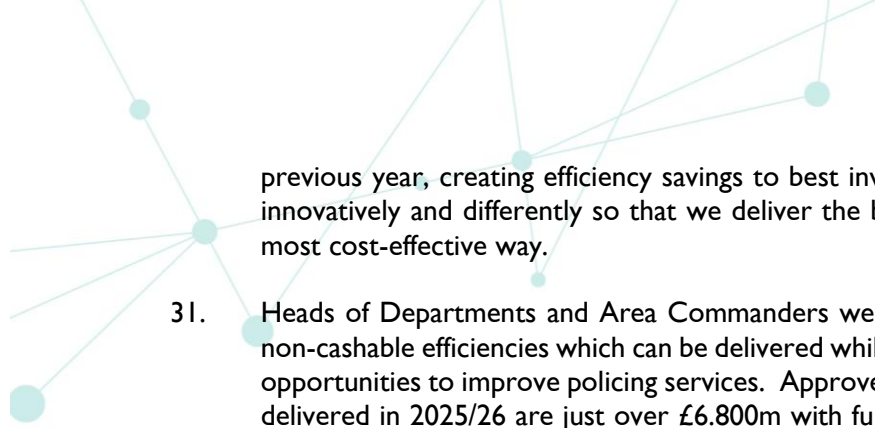
20. The Chief Constable's revenue budget for 2024/25 is £362.122m. The forecast outturn is within the budget allocated by the Commissioner with the revised profile of officer leavers and recruitment (£0.538m), Utilities (£0.836m), Fleet running costs (£0.443m), Digital Policing (£0.309m) and Operation Safeguard (£0.987m) contributing to the underspend position.
21. For Capital Financing the underspend relates to:
- Reductions to Bank Rate by the Bank of England have progressed at a slower rate than anticipated during the year. The higher investment rates achieved, and greater average investment balances held during the year, have delivered additional investment income of £0.460m.
 - There is a forecast reduction in interest payments against budget of £0.804m due to a reduction in the requirement for new borrowing as a result of the re-phasing of the capital programme in-year. In addition, higher reserve balances and the underspend against the revenue budget have delivered a greater capacity for internal borrowing during the year which has further reduced the overall borrowing requirement.
22. The overall Group forecast represents an underspend of £4.338m, a variance of less than 1.2% of budget.
23. The forecast closing position on the general reserve for 2024/25 is £12.295m which is above the minimum set out in the Commissioners reserves strategy.

Revenue Budget 2025/26

24. For the financial year 2025/26, the proposed Group revenue budget is £405.444m as set out in the following table:

| Group Revenue Budget 2025/26 | Proposed Budget 2025/26 £000 |
|--|---------------------------------|
| Chief Constable | 389,091 |
| Office of the Police & Crime Commissioner (OPCC) | 2,031 |
| OPCC Supporting Services | 1,463 |
| Capital Financing | 12,859 |
| Net Expenditure | 405,444 |
| Central Government Grants | 316,673 |
| Council Tax Precept | 83,969 |
| Central Grant and Precept Total | 400,642 |
| Transfer (to)/from reserves | 4,802 |

25. The Group budget is held by the Police and Crime Commissioner who provides financial resources to the Chief Constable to deliver operational policing. The budget delegated to the Chief Constable for 2025/26 is £389.091m. The OPCC budget of £2.031m covers the running costs of the Commissioner and her office, covering all administration and governance arrangements. The OPCC Supporting Services budget of £1.463m includes the specific budget for the Commissioners Community Fund, premises expenditure, the Police Digital Service contribution, and the Northumbria Sexual Assault Referral Centre (SARC). The Capital Financing budget comprises the revenue provision for repayment of borrowing, interest costs and investment income.
26. The proposed revenue budget for 2025/26 will fully maintain the Northumbria share of the National police officer Uplift. The total Uplift is 724 officers which is unchanged against 2024/25. The maintenance headcount target for Northumbria is 3,853 officers.
27. As the total cost of policing continues to rise, consideration has been given to all known budget pressures to make sure that the budget meets the challenge of providing Northumbria with the right resources to keep people safe. This includes the replacement of around 252 officer retirements and other leavers in order to maintain the Northumbria police officer Uplift target. Pay progression is included for existing officers and staff along with provision for the 2025 pay award (estimated at 2.5%), inflationary increases on injury pensions, rents, and utilities, known contract increases and other non-pay inflation.
28. The significant levels of inflation experienced in the economy over the past three years are expected to continue to impact on force budgets over the medium-term. Utilities, fuel, insurances, pay awards, building maintenance, digital policing and all major contracts have been significantly impacted through recent challenges to the economy, inflation, energy shortages and the cost-of-living crisis.
29. The force began work early in 2024/25 to monitor emerging pressures on force budgets and review efficiency targets and projections, both for the current year and looking ahead over the next medium term financial planning period through to 2028/29.
30. A significant programme of work commenced in the spring to continue with and build on the Priority Based Budgeting approach introduced to business planning in Northumbria during the

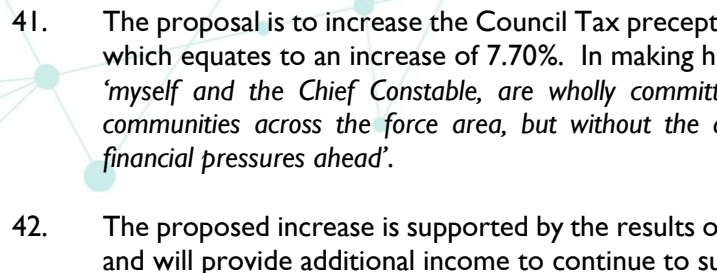


previous year, creating efficiency savings to best invest for the future. PBB is about thinking innovatively and differently so that we deliver the best possible services to the public in the most cost-effective way.

31. Heads of Departments and Area Commanders were required to identify both cashable and non-cashable efficiencies which can be delivered whilst maintaining performance and identifying opportunities to improve policing services. Approved efficiencies and budget reductions being delivered in 2025/26 are just over £6.800m with further savings planned across the medium-term.
32. The increase in the Council Tax Precept for 2025/26 will deliver essential funding to help keep the force appropriately resourced, meet budgetary pressures and allow for some investment. Potential areas include:
 - Prevention of ASB in urban and rural communities.
 - Tackling fraud and online crimes.
 - Targeting offenders and preventing Child Sexual Exploitation (CSE).
 - Increasing resourcing to help bring offenders to justice.
33. Increased capital financing costs are included for 2025/26 reflecting the additional revenue cost of supporting 2024/25 capital investment through prudential borrowing. This includes the planned profile of interest costs, investment income and the principal repayment of borrowing.
34. The planned use of earmarked reserves of £4.802m will come from the Investment Reserve which was set up in 2020/21 to support Uplift delivery and maintain investment in policing services over the medium-term.

Council Tax Options

35. The Localism Act 2011 introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered excessive Council Tax, including proposed limits. From 2013 onwards, any PCC that wishes to raise its Council Tax above the limits that apply to them will have to hold a referendum.
36. The excessiveness limit for 2025/26 is £14.00 per year for a Band D property.
37. During 2024/25 the Council Tax base in the Northumbria force area increased by an average 2.19% to 423,227 (Band D equivalent properties). The increase in the Council Tax base for 2025/26 represents an increase of £1.650m in precept income when compared with 2024/25 which is higher than the expected increase of 1.20% within last year's MTFS forecast.
38. In addition, the net position estimated on the Commissioners share of Collection Fund balances at 31 March 2025, across the six local billing authorities, is a surplus of £1.084m. (Surplus £1.290m as at 31 March 2024)
39. The surplus of £1.084m will be received by the Commissioner in 2025/26.
40. In calculating the overall settlement for policing in 2025/26 the Government has proposed enabling each PCC to raise further funding for local priorities through an increase of up to £14.00 per year for a Band D property. Consideration of the Council Tax Precept has to be taken alongside both the overall funding made available to the force and the impact on households of any increase.

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41. The proposal is to increase the Council Tax precept by £14.00 per year for a Band D property which equates to an increase of 7.70%. In making her proposal the Commissioner has stated, *'myself and the Chief Constable, are wholly committed to delivering safer streets and stronger communities across the force area, but without the appropriate funding, we will face significant financial pressures ahead'*.
 42. The proposed increase is supported by the results of a public consultation during January 2025 and will provide additional income to continue to support local policing services in the face of a challenging financial situation.
 43. The anticipated receipts of £82.885m from the Council Tax precept are fully reflected within the proposed budget for 2025/26 as set out earlier in the report.

Reserves

44. The Commissioner's reserves policy is set out in the MTFS and the Annual Reserves Strategy Statement and is subject to regular review.
45. The MTFS sets out the Commissioner's reserves strategy which is to maintain the general reserve at a minimum of 2% of the net revenue budget for the year. As at 31 March 2025 the balance is estimated to be £12.295m which equates to 3.0% of the 2025/26 revenue budget.
46. Earmarked reserves are held by the Commissioner to address specific risks identified for Northumbria, with £4.802m of the Investment Reserve allocated to support the revenue budget in 2025/26. The remainder of earmarked reserves will remain broadly unchanged across the 2025/26 financial year, with the exception of the Operational Systems Reserve which will be used to finance capital investment in Digital Policing and Digital Transformation. These reserves remain appropriate, of sufficient value and fit for their intended purpose.

Adequacy of Reserves and Robustness of Budget Estimates

47. The Local Government Act 2003 requires the Joint Chief Finance Officer to undertake an assessment of the robustness of the budget estimates and the adequacy of reserves.
48. The budget and MTFS allows the Commissioner to consider the prudent use of reserves in the context of the future spending pressures and risks arising from potential changes to the funding formula without having a detrimental effect on policing.
49. In assessing the robustness of the budget, the Joint Chief Finance Officer has considered the following issues:
 - The general financial standing of the group made up of the OPCC and Northumbria Police.
 - The underlying budget assumptions, including an assessment of the estimates for pay and price increases and known budget pressures.
 - A risk assessment of expenditure and income estimates.
 - The future budget pressures identified in the MTFS.
 - The adequacy of the budget monitoring and financial reporting arrangements.
 - The adequacy of the Commissioner's governance arrangements and internal control system.
 - The adequacy of general reserves to cover any potential financial risks faced by the Commissioner.

- The impact of historic funding cuts and the uncertainty around future budget pressures, Autumn Statement 2024 and the OBR Forecasts, and the levels of grant support anticipated beyond 2025/26.
50. At 31 March 2025, the Commissioner's General Reserve is estimated at £12.295m (3.0% of revenue expenditure) in addition to other reserves which are earmarked for specific purposes. In estimating the level of reserves the Joint Chief Finance Officer has taken account of known commitments and the financial risks faced by the Commissioner which could impact on the level of reserves over the MTF5 period.
51. The Joint Chief Finance Officer confirms that, after taking account of these issues, the revenue and capital estimates contained in this report are considered robust and that the level of reserves is considered adequate to cover the financial risks faced by the Commissioner in 2025/26.

Council Tax Requirement

52. The notified Council Tax Base figure across the six billing authorities is a total of 423,227 for 2025/26 which is an increase of 9,075 against the previous year (+2.19%).
53. The Localism Act requires the Commissioner to set a Council Tax Requirement. The calculation of the Council Tax Requirement, based on the proposed revenue budget and contribution from reserves is set out in the following table:

| Council Tax 2025/26 | £m | £m |
|---|---------|------------------|
| Total Revenue Expenditure | | 405.444 |
| Add: Appropriations to/(from) Reserves | | (4.802) |
| Budget Requirement | | 400.642 |
| | | |
| Government Grants: | | |
| Home Office Core Grant | 292.424 | |
| Special Pension Grant | 10.345 | |
| National Insurance Compensation Grant | 5.736 | |
| Localised Council Tax Support Grant | 6.867 | |
| Council Tax Freeze Grant 2011/12 | 0.912 | |
| Council Tax Freeze Grant 2014/15 | 0.389 | (316.673) |
| | | |
| Balance to be Raised Locally | | 83.969 |
| Add: Estimated Net Surplus on Collection Funds | | (1.084) |
| Council Tax Requirement | | 82.885 |

54. The proportion of collection funds' net surplus receivable by Northumbria Police from its constituent billing authorities is £1.084m for 2025/26.

Minimum Revenue Provision (MRP)

55. Regulations came into effect from March 2008 with regard to preparing an Annual MRP Statement. MRP is the amount that needs to be set aside to reflect the depreciation of capital assets and provide funds for the principal repayment of borrowing. There are no proposed changes to the method used to calculate MRP and the Annual MRP statement for 2025/26 is attached at Annex A.



Financial Considerations

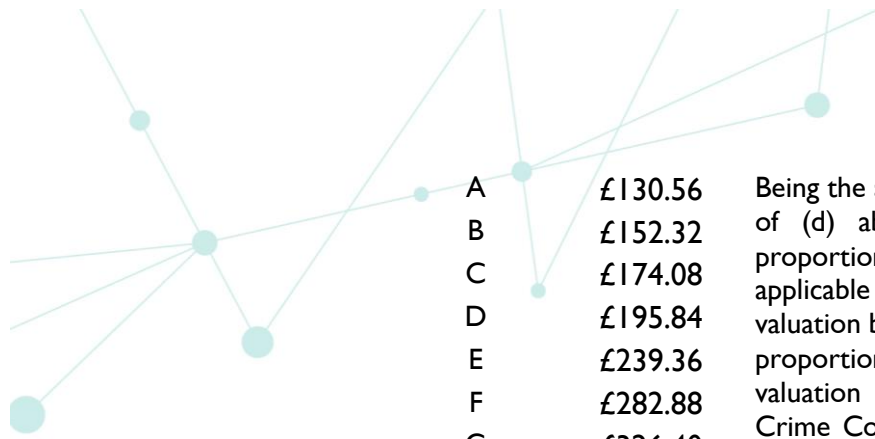
56. Financial implications are considered throughout the report.

Risk Management

57. Associated risks have been considered and recorded as appropriate, set out in Annex B

Recommendations (Proposed)

58. The Commissioner is requested to:
- I. Approve the revenue budget.
 - II. Agree the review of the reserves policy.
 - III. Note the recommendations of the Joint Chief Finance Officer (Treasurer) in respect of the robustness of the budget and the adequacy of reserves.
59. Note the Council Tax Base of 423,227 for the year 2025/26 as notified by the billing authorities within Tyne and Wear and Northumberland (item T in the formula in Section 42B of the Local Government Finance Act 1992, as amended).
60. Approve the following amounts for the year 2025/26 in accordance with Sections 42A, 42B and 45 to 47 of the Local Government Finance Act 1992, as amended:
- | | | |
|-----|-----------------|---|
| (a) | £453.439m | Being the aggregate of the amounts which the Police and Crime Commissioner estimates for the items set out in Section 42A (2) (a) to (d) of the Act. |
| (b) | £370.554m | Being the aggregate of the amounts which the Police and Crime Commissioner estimates for the items set out in Section 42A (3) (a) to (b) adjusted for the item set out in S42A (10) of the Act. |
| (c) | £82.885m | Being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Police and Crime Commissioner in accordance with Section 42A (4) of the Act, as it's Council Tax Requirement for the year (item R in the formula is Section 42B of the Act). |
| (d) | £195.84 | Being the amount at (c) above (item R) divided by the amount noted in Recommendation 2 above (item T), calculated by the Police and Crime Commissioner in accordance with Section 42B (1) of the Act, as the basic amount of its Council Tax for the year. |
| (e) | Valuation bands | |



| | |
|---|---------|
| A | £130.56 |
| B | £152.32 |
| C | £174.08 |
| D | £195.84 |
| E | £239.36 |
| F | £282.88 |
| G | £326.40 |
| H | £391.68 |

Being the amounts given by multiplying the amount of (d) above by the number which, in the proportion set out in Section 5 (1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Police and Crime Commissioner in accordance with Section 47 (1) of the Act, as the amounts to be taken into account for the year in respect of the categories of dwelling listed in different valuation bands.

- 61. Resolve that under Section 52ZB of the Local Government Finance Act, the Commissioner's relevant basic amount of Council Tax for 2025/26 is not excessive in accordance with the principles determined under Section 52ZC (1) of the Act for 2025/26.

- 62. Resolve that in accordance with Section 40 of the Local Government Finance Act 1992, as amended, the billing authorities within the area of this authority be issued with precepts in the amount of £82,884,762 for the financial year beginning 1 April 2025, the amount of the retrospective precepts to be issued to each billing authority's area in accordance with the Sections 42A, 42B and 45 to 48 of the 1992 Act, as amended.

- 63. Accept the recommendation of the Joint Chief Finance Officer (Treasurer) for the method of calculating MRP for 2025/26 as set out in the Annual MRP statement at Annex A to this report.

Police and Crime Commissioner for Northumbria Minimum Revenue Provision (MRP) Statement 2025/26

The MRP charge for 2025/26 for capital expenditure incurred before 01 April 2008 (prior to the new regulations) or which has subsequently been financed by supported borrowing will be based on the previous regulatory method of Capital Financing Requirement at a minimum of 4% of the opening balance less prescribed adjustments.

For all unsupported borrowing, exercised under the Prudential Code, the MRP Policy is based on the Asset Life Method. The minimum revenue provision will be at equal annual instalments over the life of the asset. The first charge will not be made until the year after the asset becomes operational.

NORTHUMBRIA POLICE AND CRIME COMMISSIONER FINANCIAL RISK ANALYSIS TO THE 2025/26 BUDGET

General Balances

The Commissioner's strategy for General Reserves is that these will be maintained at a minimum of 2% of the net revenue budget, to cover any major unforeseen expenditure or loss of funding. The financial risk is that the minimum level is threatened by the need to use reserves. For budgetary purposes the Commissioners MTFs plans aim to maintain a prudent General Reserve level set approximately 3.0% of net revenue budget.

The proposed budget as presented for 2025/26, and subject to robust and effective budgetary controls, does not create a risk to the General Reserve. The Commissioner is proposing a balanced budget with the forecast General Reserve remaining unchanged across the year at £12.295m representing around 3.0% of net revenue budget, which is well above the minimum in the strategy.

Pay Increases

The revenue budget for 2025/26 includes financial forecasts based on a pay award of 2.5% from 1 September 2025. The risk is that actual pay increases for 2025/26 exceed the level provided for within the budget.

The Commissioner holds a Pay Inflation Reserve of £2.053m which will provide support for higher pay awards if required.

In addition, it is noted that PACCTS and NPCC members have agreed that the affordable level for pay increase from 2025/26 remains at 2.0% for police forces. This was the level anticipated in the previous MTFs for financial years 2025/26 to 2027/28. Based on OBR inflation estimates and government announcements for public sector pay increase generally the budgeted pay award for Northumbria in 2025/26 has been increased to 2.5% representing an additional cost annually of £1.700m. Future years will be maintained at the affordable level of 2.0% pa.

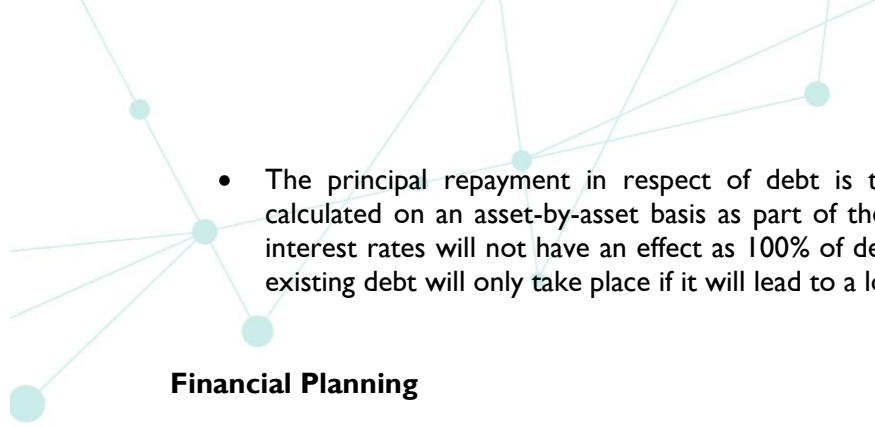
Price Increases and Inflation

The risk is that price increases may exceed the levels provided for within the budget. This is mitigated by applying inflation on an individual basis to provide for contractual commitments and forecast inflationary pressures across utilities, fuel, insurances, pay awards, building maintenance, digital policing, and all major contracts. The risk that prices may rise is mitigated by budget monitoring arrangements and the Force's current approach to efficiency in challenging and managing spend pressures.

Capital Financing

The risk is that Capital Financing Charges will be greater than budgeted. This is mitigated by:

- Revenue implications are considered as part of the capital planning process, reviewed, and revised each year as part of the budget and MTFs process. Monthly budget monitoring ensures that potential variances are identified at the earliest opportunity in order to consider remedial action.
- Advice is taken from the Commissioner's external treasury management advisers MUFG Corporate Markets in relation to revenue estimates for borrowing and investment interest.

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- The principal repayment in respect of debt is the Minimum Revenue Provision (MRP), calculated on an asset-by-asset basis as part of the capital planning process. Any change in interest rates will not have an effect as 100% of debt is at fixed rates and any refinancing of existing debt will only take place if it will lead to a long-term saving in interest charges.

Financial Planning

Whilst every effort is taken to ensure that through all the detailed financial planning and comprehensive budget setting processes in place, there remains a risk that a major liability or commitment arises which was not foreseen at the time the budget was approved. This is mitigated by:

- The MTFS forecasts and planning processes include robust assessments of potential medium term spending pressures, to be assessed for inclusion in the Commissioner's budget, identified by the Chief Constable by reference amongst other sources to the Local Policing Plan.
- In addition, regular liaison by senior officers of the Force and the Commissioner's Office help to strengthen and coordinate the financial planning of the Commissioner.

Loss of Deposit

The risk is that funds deposited by the Commissioner are lost due to the collapse of the financial institution with whom the deposit is placed. The risk is limited by the controls in the Treasury Management Strategy which focus on control and safety of deposits rather than maximising investment returns. The potential impact is limited by the strategy of a diverse portfolio with strict creditworthiness criteria and regular advice on the placement of new investments provided by the Commissioner's external treasury management advisers MUFG Corporate Markets.

Interest Rates on Deposits

The risk is that interest rates will be lower than expected. Advice is taken from the Commissioners external treasury management advisers MUFG Corporate Markets, on forecast rates of return for investments.

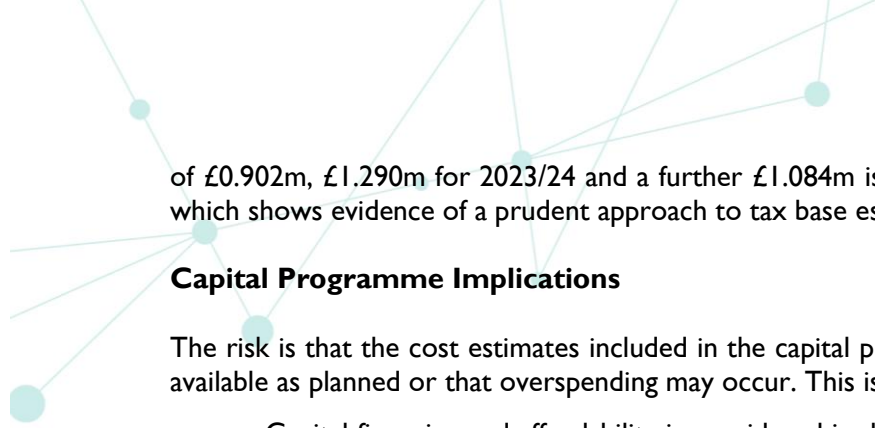
Council Tax

There is a degree of uncertainty on all matters relating to Council Tax income. As a result of the Covid-19 pandemic and the ongoing impact on both the economy and employment, for 2021/22 Local Authorities reported a fall in collection rates, slowing of the growth provided by the house building sector and greater demand placed on Local Council Tax Support Schemes. This impacted heavily on tax base estimates for 2021/22 resulting in a net reduction of 0.74% for that year. The impact on precept income for Northumbria was largely managed for 2021/22 with losses resulting from the net reduction in Tax Base across the six local authorities and the net deficit on the 2020/21 collection funds, being offset by additional grant funding for Local Council Tax Support (Covid). This was a one-year grant only, and it is difficult to determine the extent to which the net tax base in the force region has recovered from that year.

There remains an ongoing risk for future years which requires prudent estimates to be applied to MTFS forecasts for Council Tax.

The net increase in tax base of 2.19% across the six Local Authorities for 2025/26 is higher than the previous MTFS estimate for that year (1.20%).

The risk is that the tax base set for 2025/26 is not achieved and the resulting deficit becomes payable in 2026/27, however the six Local Authorities returned a net surplus on the 2022/23 collection fund



of £0.902m, £1.290m for 2023/24 and a further £1.084m is forecast on the 2024/25 collection fund, which shows evidence of a prudent approach to tax base estimates on their behalf.

Capital Programme Implications

The risk is that the cost estimates included in the capital programme are understated, funding is not available as planned or that overspending may occur. This is mitigated by:

- Capital financing and affordability is considered in detail alongside the budget setting process. Capital expenditure in 2025/26 will be financed through a mix of capital receipts, earmarked reserves and prudential borrowing. Internal borrowing will be maximised in-year through the use of reserve balances in order to minimise borrowing costs, and short-term borrowing applied as and when required to manage cashflow.
- Quarterly capital monitoring reports to the Commissioner provide assurance in the accuracy of forecasts.
- Monthly capital monitoring reports to the Force Executive Board provide oversight of the forecast position for capital schemes and an opportunity to take remedial action where required.

Risk Management

The risk is that all risks have not been identified when the budget has been set and that major financial consequences may result. This is mitigated by:

- Risk management arrangements.
- Comprehensive self and external insurance arrangements in place.
- Adequacy of the insurance reserve.
- Adequacy of the general balances and the overall reserves policy.