



**NORTHUMBRIA POLICE AND CRIME COMMISSIONER**

**Key Decisions**

**Title and Reference**

**Medium Term Financial Strategy 2025/26 to 2028/29**

**(PCC/650/2025)**

**Summary**

The Medium-Term Financial Strategy (MTFS) sets out the key financial issues facing the Police and Crime Commissioner over the period 2025/26 to 2028/29 and provides options for delivering a sustainable budget and capital programme over the medium term.

It also sets out how the Commissioner can provide the Chief Constable with the resources to deliver the priorities in the Police and Crime Plan.

The MTFS sets the financial context for the Commissioner's revenue budget, capital programme and precept decisions.

**Recommendation:**

It is recommended that the Commissioner agrees the principles set out in the MTFS and approves the MTFS for 2025/26 to 2028/29.

**Northumbria Police and Crime Commissioner**

I hereby approve the recommendations above.

**Signature**

**Date 27/3/2025**

# **Police & Crime Commissioner for Northumbria**

## **MEDIUM TERM FINANCIAL STRATEGY**

**2025/26 – 2028/29**

**Police & Crime Commissioner for Northumbria**  
**Medium-Term Financial Strategy 2025/26 – 2028/29**

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## Foreword by the Police and Crime Commissioner for Northumbria

I am pleased to share the first Medium Term Financial Strategy for Northumbria Police since I took post as Police and Crime Commissioner last year. My role is to allocate finances to the Chief Constable to fund policing and support work to deliver on my Police and Crime Plan – a plan for safer streets and stronger communities in our area.

Northumbria Police do a great job keeping people safe and fighting crime, and I fully support the force's vision to provide an outstanding service to both local residents and visitors to our region.

And to be there, delivering for everybody when needed, comes with a cost.

To help achieve our ambitions, we've recently had the good news that the new Government is putting an extra £200m into policing nationwide - targeted at neighbourhood policing. We must remember though, while this is welcomed, a challenging financial climate continues across all our public services. The previous Government stripped funding back over the years and we have an uphill climb ahead to return to the resource levels we had in 2010. Police budgets nationally are also still reliant on a third of their funding being raised through local taxes.

So, from April 1<sup>st</sup>, taxpayers in the Northumbria force area will be parting with a few extra pence a month, but this is still considerably less than the amount that others pay towards policing elsewhere in the country – with some paying hundreds of pounds more a year for their local police service.

Money generated will not only help sustain current policing levels, but it will help us explore how we can bolster them. I want to get more officers out in our neighbourhoods - where residents want to see them. In addition to this, I support the Chief Constable with potential investment in operational policing to help:

- Prevent ASB in urban and rural communities.
- Tackle fraud and online crimes.
- Target offenders and preventing Child Sexual Exploitation (CSE).
- Increase resourcing to help bring offenders to justice.

We have also recently welcomed the news that an extra £1.8m is coming to Northumbria through The Hotspot Action Fund allowing Project Shield to continue providing increased patrols and engagement in target areas to help tackle issues like anti-social behaviour. A further £2.2m has been secured for Northumbria's Violence Reduction Unit, as part of Government's Safer Streets Mission. This means the Unit can continue building on its preventative work in tackling the root causes of serious violence.

Although these funding pots are good news and will help us deliver on public priorities, our commitment to working hard to balance the books to ensure our police force is both efficient and effective will not change.

This strategy supports my plans around ensuring we have an engaged and responsive and strong police force. We all want a service that's both visible and productive and well-resourced to help officers deter, prevent and respond to crime in our area. This all helps grow people's confidence and overall feelings around safer streets and stronger communities.

**Susan Dungworth**  
**Northumbria Police and Crime Commissioner**

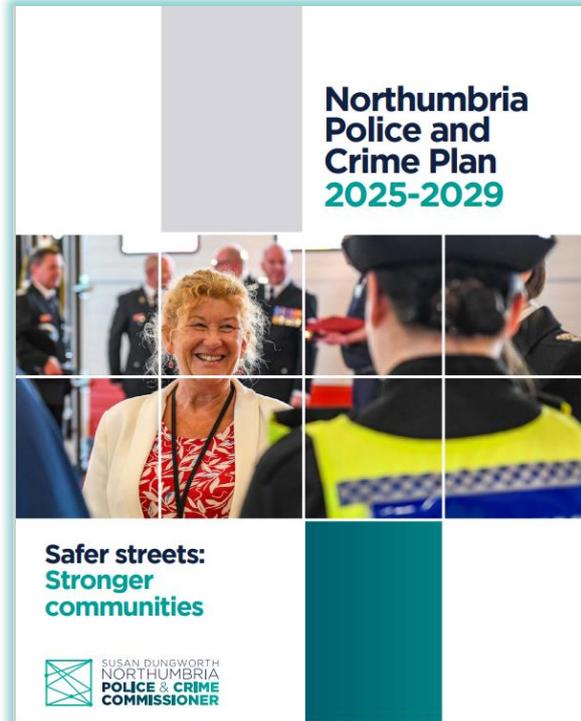
## I. Purpose of the Medium-Term Financial Strategy

I.1 This is the Medium-Term Financial Strategy (MTFS) of the Police and Crime Commissioner for Northumbria (the Commissioner). It covers a period of four years but will be reviewed annually to reflect the dynamic nature of both policing and changes in anticipated funding. It describes the financial direction of the organisation and provides projections for the revenue budget and capital programme over the medium-term.

I.2 The MTFS 2025/26 to 2028/29 will continue to deliver and build upon the investment in policing for Northumbria residents approved by the former Commissioner in 2024/25. The Strategy will assist the Force to become better prepared to meet future demand; maintain the increase in police officer numbers delivered through the national police officer Uplift programme; Deliver the much-welcomed boost to Neighbourhood Policing by the new government to help deliver local plans; and allow Northumbria Police to invest in the right resources to protect the vulnerable, tackle crime and keep our communities safe.

I.3 The Strategy will ensure that the Force continues to review and transform policing services making efficient and effective use of resources and the best use of total funding available over the medium-term. The Strategy is set against a financial backdrop of a decade's worth of cuts and under-funding for policing, continued economic uncertainty, government austerity, rising pay bills, and recent high levels of inflation across fuel, energy, goods and services, digital policing, and most major contracts. The financial climate remains challenging, and the force is planning to use reserves and targeted efficiencies alongside the vital increase in Council Tax income from local residents to balance the books each year.

I.4 The overall financial strategy seeks to deliver the Commissioner's Police and Crime Plan, building Safer Streets and Stronger Communities. It will support delivery of national policing priorities under the Government's Safer Streets mission, support the Purpose, Vision and Objectives of the Northumbria Force Strategy and meet the requirements of the National Strategic Policing Requirement.



**Police and Crime Plan priorities**

- **Priority 1:** Engaged and responsive police force
- **Priority 2:** Crime and anti-social behaviour
- **Priority 3:** Serious violence and organised crime
- **Priority 4:** Violence against women and girls
- **Priority 5:** Hate crime and community cohesion
- **Priority 6:** Victims and justice



## 2. Benefits of the Strategy

### 2.1 The MTFS assists in:

- Supporting delivery of the Police and Crime Plan.
- Improving financial planning and the financial management of the Commissioner's resources, both revenue and capital.
- Maximising the use of resources available to the Commissioner and Chief Constable, both internal and external.
- Ensuring that the Commissioner and Chief Constable provide value for money and continue to deliver efficiency gains.
- Allowing the development of longer-term budgets and strategic thinking.
- Reviewing the Commissioner's policy on the use of reserves, ensuring the reserves position continues to be sustainable and aligned with the Commissioner's reserves strategy.
- Responding to external pressures, including changes to funding resulting from the government's annual funding announcements.
- Developing a sustainable budget over the medium-term.

## 3. Principles of the Strategy

### 3.1 To deliver against the PCC's priorities, and the Police and Crime Plan, effectively and efficiently within the available resources, the key principles underlying the Commissioner's MTFS 2025/26 to 2028/29 are:

- Overall expenditure of the Commissioner will be contained within revenue and capital budget estimates each year.
- The Commissioner will maintain a General Reserve of a minimum of 2.0% of the net revenue budget to cover any major unforeseen expenditure or loss of funding. A flexible approach will be taken to the use of reserve balances above this level where appropriate,

balancing the opportunity costs of maintaining reserves against the benefits of alternative approaches.

- The Commissioner will maintain earmarked reserves for specific purposes only when appropriate, for planned use within the period of the MTFS and which are consistent with achieving objectives.
- The Commissioner will continue to ensure that the achievement of Value for Money is prioritised by the Chief Constable, securing economy, efficiency and effectiveness in the use of resources.
- The Joint Chief Finance Officer will prepare a rolling programme of four-year budget forecasts to inform the Commissioner's budget and precept decisions.
- The Commissioner, supported by the Joint Chief Finance Officer and Chief Constable, will continue to contribute to national reviews of police funding and take every opportunity to engage, in order to pursue the fair and equitable funding of Northumbria Police.

#### **4. Reviewing the Strategy**

4.1 The Commissioner's MTFS review for 2025/26 to 2028/29 has also been carried out to ensure delivery of key priorities; this approach uses the following key themes:

- The operational context for Northumbria Police.
- The financial context in which the Commissioner operates, including the Commissioner's current financial position and performance, Autumn Statement 2024, Spending Review (SR) 2025 (Phase 1), the police settlement 2025/26 issued by Government and the Council Tax Precept decision.
- The future budget pressures and funding projections which the Commissioner will face over the period of the strategy and any budget savings identified.
- The Commissioner's capital programme and capital financing requirements.
- Reserves policy.
- Risk assessment.

#### **5. Delivery of the Strategy**

5.1 The successful delivery of the Strategy requires the Police and Crime Commissioner and the Chief Constable to manage a complex set of resources, demands and priorities, whilst reviewing and revising plans to meet the changing demand for policing services within available financial resources.

5.2 The Strategy sets out how the Commissioner will provide the Chief Constable with the right resources to deliver on the priorities of Northumbria residents and keep communities safe, ensuring that Northumbria Police have the resources they need, and are efficient and cost-effective in the service they provide.

5.3 The MTFS financial forecast presented at section 7 sets out one scenario for what we think the overall funding might look like for Northumbria Police over the four years. However, there are many unknowns within the current economic and political environment and together with a one-year settlement for 2025/26 only, it remains extremely difficult to predict an accurate financial picture with a high degree of confidence. The budget estimates for future years will require further consideration as the financial landscape becomes clearer and government funding support beyond the 2025/26 financial year is confirmed.

5.4 The new government is expected to deliver Phase 2 of its Spending Review (SR) 2025 in June this year setting out departmental resource budgets for the next three years and capital budgets for five years, with reviews every two years.

- 5.5 The Strategy ensures that the 2025/26 settlement and total funding forecast over the medium-term will be utilised to fully maintain the Northumbria share of the National police officer Uplift.
- 5.6 To support delivery of the Strategy the Commissioner has decided to raise the Band D Council Tax Precept by £14.00 per year in 2025/26. The precept decision has raised an additional and recurring £5.925m of funding for policing in Northumbria, 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.
- 5.7 In addition, a capital programme has been set which will ensure continued investment in estates, IT and digital infrastructure, vehicles and operational equipment over the term of the MTFS. This will include the provision and upgrading of personal issue equipment including Taser capability, body-worn video and body worn armour replacement. The capital programme will ensure delivery of the Force Estates Strategy 2024 to 2030 which includes:
- New Communications Centre
  - Dog Kennelling Facility
  - Operational Training Facility
  - Decarbonised Estate which supports a ULEV (ultra-low emission vehicle) fleet and targets for achieving net-zero carbon.
- 5.8 The Force will continue to drive change and efficiency through transformation which includes significant investment in digital policing, leading edge technology and digital infrastructure to aid the detection and investigation of crimes, ensuring that Northumbria is a Force fit for the future.

## **6. Financial Context**

- 6.1 Since 2010, the former government's austerity drive saw unprecedented cuts to the funding provided to policing, with Northumbria being the hardest hit of any force in England and Wales. Central Government formula funding for policing in Northumbria was reduced by more than 31% in real terms between 2010/11 and 2018/19, as confirmed independently by the National Audit Office (NAO). As a result, police officer numbers in Northumbria reduced by more than 1,100 between March 2010 and March 2019. By March 2021 the force had made £148.000m of cuts and efficiencies to manage the reductions imposed by government.
- 6.2 Whilst government funding for policing has increased over the last 6 years there have been limited inflationary increases provided by the former government, with targeted core grant increases covering only part of the increased cost of police officer pensions and pay awards, and delivery of the Police Uplift Programme over 2020/21 to 2024/25.
- 6.3 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.
- 6.4 The challenging economic and financial climate and limited funding information available to Northumbria Police beyond the current settlement year, combine to deliver a future which contains many unknowns, it is difficult to know what is coming. The MTFS has been established to make the best use of the financial settlement 2025/26, whilst making prudent assumptions on future funding levels and expected budget requirements.

6.5 For 2024/25 revenue expenditure will be contained within the budget estimate, in-line with one of the key principles of the MTFS. The Quarter 3 revenue monitoring position as at 31 December 2024, shows a projected underspend of £4.338m for the Group as set out in the following table:

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)
<b>Group Position Total</b>	<b>378,104</b>	<b>373,766</b>	<b>(4,338)</b>

6.6 The Group budget is held by the Police and Crime Commissioner who provides financial resources to the Chief Constable to deliver operational policing. The OPCC budget covers the running costs of the Commissioner and her office, covering all administration and governance arrangements. The OPCC Supporting Services budget includes the specific budget for the Commissioners Community Fund, premises expenditure, other supporting services, 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.

6.7 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.

6.8 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.

## National Police Settlement 2025/26

6.9 The final police grant settlement was published on 30 January 2025.

6.10 The key headlines from the settlement are:

- Approximately £770.000m 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 £200.000 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 – A referendum limit for 2025/26 of £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 2025/26

6.11 The total grant increase for Northumbria is £19.714m as set out in the following table.

Northumbria Settlement	£m
<b>Core Grant</b> – formula funding share (3.08%) of £339.000m	10.441
<b>Uplift Grant</b> - Reduction in ring-fenced grant, formula funding share (3.08%) of £75.000m.	(2.310)
<b>National Insurance Compensation Grant</b> – New for 2025/26	5.736
<b>Neighbourhood Policing Grant</b> – New for 2025/26	6.160
<b>Special Pension Grant</b> – 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)
<b>Additional Uplift Grant (78+31 officers)</b> – increase to account for higher cost of officers	0.510
<b>Total Increase in Funding</b>	<b>19.714</b>

6.12 Whilst the increase in government grant funding appears significant, it is substantially 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.

6.13 The allocation to Northumbria for Neighbourhood Policing investment is £6.160m. Northumbria, along with forces nationally have submitted delivery plans to the Home Office for use of these funds. Whilst final profiles are yet to be formally approved by the Home Office, 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.

6.14 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.

6.15 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.

6.16 Northumbria will continue to receive legacy grants totalling £8.168m, relating to Council Tax and freeze grants for 2011/12 and 2014/15 as set out below. These are again allocated in flat cash terms, with no recognition of an inflationary increase and therefore represent a year-on-year real terms reduction to overall funding.

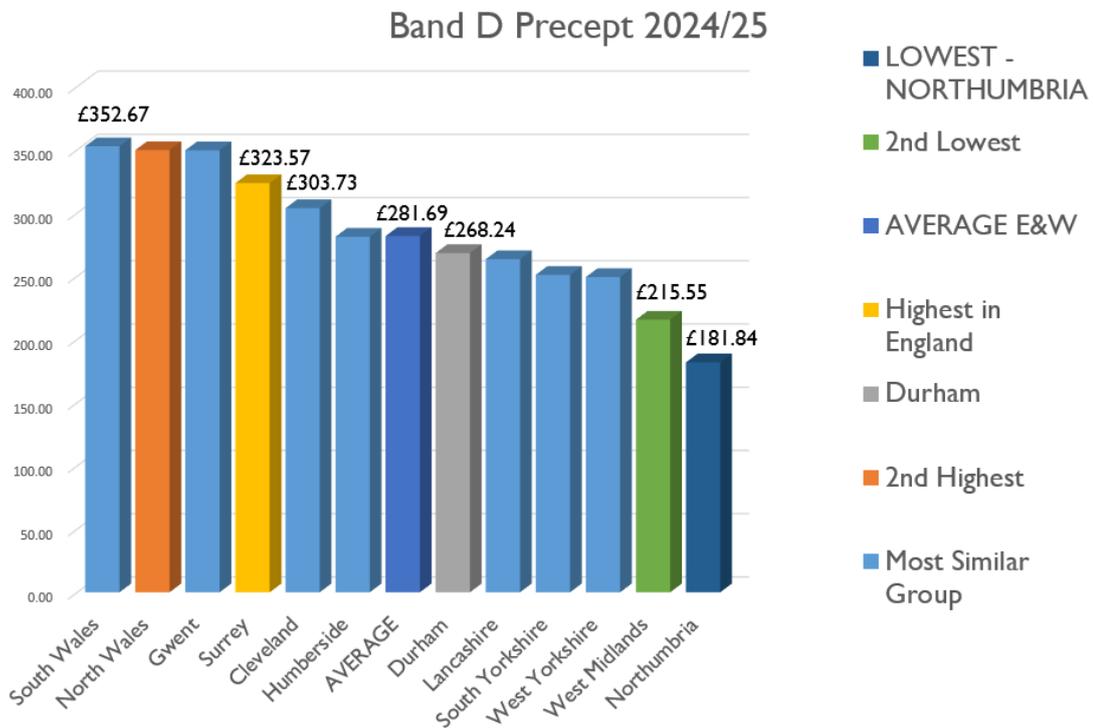
- Home Office Legacy Council Tax Freeze Grants totalling £1.301m, relating to the freeze in the precept for 2011/12 and 2014/15.
- Localised Council Tax Support Grant £6.867m, relating to the transfer of responsibility for Council Tax Benefit from Government to Local Authorities on 1 April 2013. As a result of the transfer changes were required in the tax base calculation for local authorities, reducing the overall value. This grant was introduced for 2013/14 to compensate PCCs for the reduction in precept income and remains payable.

6.17 Capital grant funding allocated by the Government for Northumbria is nil, as for 2024/25. The absence of central funding for the vital capital investment needed by policing remains a significant challenge for Northumbria and indeed all forces. Investment in sustainable technologies, decarbonisation, 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 £144.000m for Northumbria. Without the necessary financial support from Government the essential cost of that investment will need to be met by

efficiencies, budget reductions, use of reserves and places further pressure on the vital funding provided by local residents.

### Council Tax

- 6.18 As part of the annual police funding settlement, an element of total available funding is revenue generated by increases in Council Tax. The Band D precept charge is the contribution paid toward policing by a homeowner in that category and is the common criteria by which information and comparison is based.
- 6.19 The following graph shows a comparison of Northumbria’s position to other Force areas for the financial year 2024/25.



- 6.20 As is clear from the graph above the Northumbria Band D precept charge of £181.84 for 2024/25 is the lowest of any PCC in England and Wales. It should be noted that the majority of properties in the Northumbria area are Band A, i.e., the lowest banding for which the charge is £121.23. For 2024/25 20% of our core resource funding is derived from the Council Tax Precept, with the majority (80%) being through government grant.
- 6.21 The Secretary of State sets out, as part of the Police funding settlement, what increases can be made by PCCs to council tax without requiring a referendum. For 2025/26 that amount was 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.
- 6.22 In making the proposal for a precept increase in 2025/26 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’*. The proposed increase to the Council Tax Precept for 2025/26 was supported by the results of a public consultation during January 2025. The Commissioner has therefore approved an increase in the Council Tax Precept of £14.00 per year for a Band D property (117 pence per month), providing additional income to protect local policing services and continue to meet the needs of the public.
- 6.23 For the majority of residents in the Northumbria area, those in a Band A property, the actual increase is only £9.33 per year (78 pence per month).
- 6.24 The additional income generated by the precept increase for 2025/26 is £5.925m.

- 6.25 The MTFFS is presented using a scenario that assumes the precept increase in future years is in line with the referendum limit set by the new government for 2025/26. However, the actual precept decision for each year will be reviewed on an annual basis, following confirmation of the funding settlement by the Home Office and will be subject to consultation with Northumbria residents in each year.

### **Spending Review 2025**

- 6.26 A Spending Review is the process the government uses to set all departments' budgets for future years. This covers both the services the public uses every day, like the NHS, policing, schools and transport, and how the government will invest in research, energy security and infrastructure to drive economic growth across the country.
- 6.27 Spending Review 2025 is taking place in two phases. At the Autumn Budget on 30 October 2024, the Chancellor set out the outcome of Phase 1 of the Spending Review, which confirmed departmental budgets for 2024/25 and set budgets for 2025/26. She also announced the total level of funding planned for Phase 2 ('the envelope'), which will conclude and be published in late spring of 2025.
- 6.28 HM Treasury have stated that Phase 2 (June 2025) will prioritise delivering the government's missions. As part of this, departments will be expected to make better use of technology and seek to reform public services, to support delivery of the government's plans for a decade of national renewal.
- 6.29 The government often uses a Spending Review to set budgets for several years. At Autumn Budget 2024, the government committed to setting resource budgets for three years and capital budgets for five years, with reviews every two years. This will enable better financial planning and help achieve value for money.
- 6.30 Whilst we do not have certainty on the level of detail that will be made available in the Spending Review for policing, there is an expectation that this will provide additional financial planning information over a 3-year period.

## **7. Medium-Term Financial Strategy**

7.1 Whilst the Medium-Term Financial Strategy (MTFS) 2025/26 to 2028/29 presents a balanced budget for all four years, the following areas of risk and uncertainty are highlighted:

- Government grant funding has been confirmed for 1 year only, there is no information available for future years.
- Government funding support for the national officer Uplift beyond 2025/26 has not been confirmed.
- No information is yet available for years 2 to 4 of the government's Neighbourhood Policing Guarantee plans.
- Actual future pay awards for officers and staff are not yet known.
- The impact of inflation on the revenue budget beyond 2025/26 is unknown.
- The absence of central funding support for essential capital investment remains a significant challenge for policing.
- Referendum limits for Council Tax increases in future years are unknown.
- The extent of tax base increases for Council Tax in future years is uncertain.
- Council Tax surplus/deficit is confirmed on an annual basis only.
- The outcome and timing of implementation of any Home Office review of the police funding formula is unknown.

7.2 The MTFS financial forecast presented here sets out one scenario for what we think the overall funding might look like for Northumbria Police over the four years. The budget estimates for future years will require further consideration as the financial landscape becomes clearer and government funding support beyond the 2025/26 financial year is confirmed.

7.3 The publication of the Spending Review 2025 (Phase 2) is expected in June 2025 and may provide an opportunity to review and refine MTFS projections.

7.4 The MTFS is summarised in the following table and explained in further detail in paragraphs 7.5 to 7.22:

Medium Term Financial Strategy 2025/26 to 2028/29	Approved Budget	Future Year Estimates		
	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
<b>Base budget</b>		<b>405.4</b>	<b>414.6</b>	<b>426.5</b>
Current assessment of net change arising from pay and price increases, budget pressures, capital financing requirements and savings across future years:		9.2	11.9	9.9
<b>Total Budget</b>	<b>405.4</b>	<b>414.6</b>	<b>426.5</b>	<b>436.4</b>
Core Grant Income 2025/26	292.4	292.4	292.4	292.4
Increase to Core Grant 2026/27	-	3.1	3.1	3.1
Increase to Core Grant 2027/28	-	-	3.1	3.1
Increase to Core Grant 2028/29	-	-	-	3.1
Special Pension Grant	10.3	10.3	10.3	10.3
National Insurance Grant	5.7	5.7	5.7	5.7
Council Tax Support Grant	6.9	6.9	6.9	6.9
Council Tax Freeze Grant 11/12	0.9	0.9	0.9	0.9
Council Tax Freeze Grant 14/15	0.4	0.4	0.4	0.4
Council Tax Income (24/25)	82.9	82.9	82.9	82.9
Council Tax - Tax Base Increase/(Reduction)	-	1.0	2.0	3.1
Council Tax - Precept Increase £14.00 pa	-	6.0	12.0	18.2
Council Tax - Surplus/(Deficit) on Collection Fund	1.1	0.8	0.8	0.8
<b>Total Budget</b>	<b>400.6</b>	<b>410.4</b>	<b>420.5</b>	<b>430.9</b>
<b>Funding gap / (surplus) before reserves</b>	<b>4.8</b>	<b>4.2</b>	<b>6.0</b>	<b>5.5</b>
<b>Planned use of reserves:</b>				
<b>Transfer to / (from) Reserves</b>				
Planned use of reserves:	(4.8)	(4.2)	(6.0)	(5.5)
<b>Funding gap remaining after planned use of reserves:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

7.5 The MTFS has made prudent assumptions about pay and price increases through national pay awards and inflation which will continue to be reviewed on an annual basis. Pay awards are included at 2.5% for 2025/26, and 2.0% for 2026/27 through to 2028/29.

7.6 Pay progression is included for existing officers and staff throughout the MTFS period, along with inflationary increases on injury pensions, rents and utilities, fuel, known contract increases and other non-pay inflation.

7.7 The revenue budget forecasts will fully maintain the Northumbria share of the National police officer Uplift across the medium-term. This includes the original base allocation of 615 officers under the police funding formula (3.08% of 20,000) plus addition recruitment allocations of 78 officers (Batch 1) plus 31 officers (Batch 2).

7.8 The ring-fenced grant for maintaining Uplift in 2025/26 is £10.781m. The MTFS assumption for future years is that the Uplift grant is maintained in flat cash terms each year, alongside continued maintenance of Uplift officer numbers (724 officers).

- 7.9 The force will receive specific grant funding of £5.743m for 2025/26 in relation to those additional recruitment allocations of 109 (78 Batch 1 + 31 Batch 2) officers. This equates to £0.053m per officer (£0.048m 24/25). The MTFS assumption for future years is that this specific grant will remain payable, with continuation of increases to account for further pay progression.
- 7.10 In order to maintain officer numbers, the Force will replace more than 960 police officers leaving the Force through retirement and natural attrition, with new recruits over the 4-year MTFS period.
- 7.11 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. The Strategy is based upon known and likely pressures which are reviewed on an annual basis ensuring that cost increases and budget pressures are identified as part of the budget setting process. Many of the budget pressures identified by this Strategy are prescribed nationally and therefore out of the control of the Force, such as national ICT charges and pay inflation.
- 7.12 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.
- 7.13 A significant programme of work commenced in the spring to continue with and build on the Priority Based Budgeting (PBB) approach introduced to business planning in Northumbria during the previous year, creating efficiency savings to best invest for the future.
- 7.14 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 £6.200m with further savings planned across the medium-term.
- 7.15 Throughout the MTFS period savings and efficiencies will continue to be delivered wherever possible, to sustain the investment in policing and to continue to support local policing services, for example:
- Non pay savings.
  - Savings through procurement through the continued use of national frameworks.
  - Maximising income generation wherever possible.
- 7.16 A revised four-year capital programme has been produced, which is summarised in Section 8 below. The revenue implications of this programme are fully reflected in the MTFS.

### **Total Income**

- 7.17 **Grant Income** – In recent years, increases in core grant income from central government have been limited to Uplift delivery and maintenance, and part of the increased cost of pay awards and officer pensions. Introduced for 2025/26, the new government have added the National Insurance Compensation Grant and funding for the Neighbourhood Policing Guarantee. Outside of those specific allocations, core grant nationally has increased by values between £100m - £264m over the past 3 years. The assumption for future years 2026/27 to 2028/29 is that Northumbria continue to receive the formula funding share (3.08%) of an estimated £100.000m national increase each year. This is a prudent level based on the minimum in recent years.
- 7.18 **Localised Council Tax Support and Council Tax Freeze Grants** – These grants were described earlier at section 6.16 and have been received for a number of years now with the earliest one commencing in 2011/12. There has been no suggestion that they will cease in the future years, they were maintained in flat cash terms over the 4-year SR 2021 period, and therefore the assumption is that they will continue for the medium-term.

7.19 **Council Tax Precept** – The precept increase for 2025/26 is £14.00 per year for a Band D property, the maximum permitted by the Government for that year. The MTFS is presented using an assumption that the precept increase in future years reflects continuation of the referendum limit set by the new government for 2025/26. However, the precept decision will be subject to consultation with Northumbria residents each year and the requirement for an increase will be reviewed on an annual basis as each year’s funding settlement is announced.

7.20 **Tax Base Increase** – The actual tax base movement for 2025/26 is an increase of 2.19% (1.51% 2024/25). Future year estimates are set at a prudent level of 1.2% pa which is just above the OBR (Office for Budget Responsibility) national tax base estimates.

7.21 **Collection Fund Surplus / Deficit** – This is confirmed on an annual basis by each Local Authority and generally there is a net surplus each year across the six local authorities. 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 and this amount will be received in 2025/26. Future years are estimated at a prudent net surplus of £0.800m.

## 7.22 Funding Gap and Planned Use of Reserves

- The Investment Reserve will be used over 2025/26 to 2028/29 to support investment and mitigate the impact of inflationary and cost pressures on the revenue budget, as appropriate efficiency programmes are implemented to meet the budgetary gap.
- The estimated balance on the Investment Reserve at 31 March 2025 is £21.535m. The use of £20.500m has been profiled over the 4-years of the MTFS to manage the anticipated funding gap in each year, leaving a balance remaining of £1.035m.
- The approach is fully reflected in the planned use of reserves lines and later at section 9 (Reserves).

## 8. Capital Estimates and Financing

8.1 The following table provides a summary of the four-year capital programme:

Capital Estimates	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	Total £000
Building Schemes	39,346	19,150	13,437	5,899	77,832
Digital Policing and Digital Transformation	16,896	6,733	13,544	6,359	43,532
Vehicles and Equipment	7,343	4,285	4,163	5,204	20,995
NEROCU Schemes	402	327	413	77	1,219
Funded Schemes	598	208	185	-	991
<b>Total</b>	<b>64,585</b>	<b>30,703</b>	<b>31,742</b>	<b>17,539</b>	<b>144,569</b>

8.2 Key areas to note in the proposed 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, the capital programme will fully deliver the new estate planned under the Force Estates Strategy 2024 to 2030 (Communications, Operational Training and Kennelling facilities).
- **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, body-worn video and body worn armour replacement. Ensuring those who protect us are kept safe, and those who threaten our safety face well-equipped officers.
- **NEROCU Schemes and Funded Schemes** – Includes the Northumbria share of capital expenditure for the North East Regional Organised Crime Unit (NEROCU), and funded capital investment schemes in Northumbria across buildings, IT, vehicles and equipment.

## Capital Financing

8.3 The following table sets out how the capital programme will be financed:

Capital Financing	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	Total £000
Forecast Expenditure	64,585	30,703	31,742	17,539	144,569
Financed by:					
Grants and Contributions	598	208	185	-	991
Capital Receipts	5,750	712	-	-	6,462
ESN Reserve	-	-	2,600	-	2,600
Operational Systems Reserve	3,400	-	-	-	3,400
Prudential Borrowing	54,837	29,783	28,957	17,539	131,116
<b>Total Capital Financing</b>	<b>64,585</b>	<b>30,703</b>	<b>31,742</b>	<b>17,539</b>	<b>144,569</b>

8.4 Total capital expenditure over the four years is estimated at £144.569m. Capital grant funding from government was reduced to nil from the 2022/23 financial year onwards. There is no planning assumption that any funding will be re-instated for future years. Capital receipts available over the MTFS period are estimated at £6.462m and availability of earmarked reserves for capital investment comprises £3.400m Operational Systems Reserve and £2.600m ESN Reserve only. Therefore, the majority of spend will be financed through prudential borrowing, which must be repaid from the revenue budget over future years based on the useful life of assets.

8.5 Capital Receipts will be used prudently across the MTFS period to manage overall capital investment and limit the impact on revenue budgets. Receipts will be applied in 2025/26 and 2026/27 to support the concentration of capital spend profiled in those years.

8.6 Prudential borrowing will provide the remaining requirement for capital financing over the medium-term. The costs of borrowing and principal repayment through MRP are fully reflected in the revenue budget over the medium-term. Affordability of the capital programme is further considered as part of the Treasury Management Prudential Indicators, approved by the Commissioner on an annual basis, alongside the Capital Programme.

## 9. Reserves

### Background information on Reserves

9.1 Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when preparing budgets.

- 9.2 In establishing reserves, the Commissioner must comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Chief Finance Officer is required as part of the budget setting process to provide a statement on the adequacy of reserves.
- 9.3 Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on Reserves and Balances (LAAP Bulletin No 77 November 2008) and the requirements of the Code suggest twice yearly reviews of reserves. By doing this, the visibility of reserves is increased and consideration of their use is placed at the forefront of the decision making process. Reserves are cash backed balances, held on the balance sheet until they are spent or released for other purposes. As such, they can only be spent once and are not part of the base budget.
- 9.4 In addition, the Home Office Financial Management Code of Practice (FMCP) 2018 requires Police and Crime Commissioners to publish a reserves strategy on an annual basis. The statement provides an explanation for each reserve along with its value. Plus, a narrative explaining whether the current and projected level of reserves is appropriate, and governance arrangements for reserves are adequate and appropriate. The Reserves Strategy Statement as at 31 March 2025 will be approved alongside the MTFs and published on the PCC's website.
- 9.5 The Commissioner's balance sheet reserves are summarised as follows:
- **General Reserves** – A contingency for unexpected events or emergencies and a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
  - **Earmarked Reserves** – To meet known or predicted liabilities, for example workforce management, insurance, and capital development reserves.
- 9.6 CIPFA guidance issued in June 2003 confirms that relevant bodies should make their own judgements on such matters, considering relevant local circumstances and an assessment of risk and the advice of the Chief Finance Officer.

### **Reserves Forecast**

- 9.7 The Commissioner must retain adequate reserves so that unexpected budget pressures can be met without adverse impact on the achievement of key objectives and council tax payers. The Commissioner's policy for reserves and balances is based on a thorough understanding of the organisation's needs and risks. Part of this process is to give a clear explanation of the existing and proposed use of reserves, and this is summarised in the following table and subsequent paragraphs.

MTFS Revenue Reserves Forecast	At 31				
	March	March	March	March	March
	2025	2026	2027	2028	2029
	£m	£m	£m	£m	£m
<b>General Reserves</b>	<b>12.3</b>	<b>12.3</b>	<b>12.3</b>	<b>12.3</b>	<b>12.3</b>
<b>Earmarked Reserves</b>					
Insurance Reserve	3.0	3.0	3.0	3.0	3.0
Operational Systems Reserve	3.4	-	-	-	-
Workforce Management Reserve	1.3	1.3	1.3	1.3	1.3
Emergency Services Network (ESN) Reserve	2.6	2.6	2.6	-	-
Investment Reserve	21.5	16.7	12.5	6.5	1.0
Pay Inflation Reserve	2.1	2.1	2.1	2.1	2.1
OPCC Innovation Reserve	0.8	0.6	0.4	0.2	0.2
External Funding Reserve	1.0	0.5	0.5	0.5	0.5
Hosted Policing Services Reserve	0.8	0.5	0.5	0.5	0.5
NEROCU Reserve	0.4	0.2	0.1	0.1	0.1
<b>Total Earmarked Reserves</b>	<b>36.9</b>	<b>27.5</b>	<b>23.0</b>	<b>14.2</b>	<b>8.7</b>
<b>Total Revenue Reserves</b>	<b>49.2</b>	<b>39.8</b>	<b>35.3</b>	<b>26.5</b>	<b>21.0</b>

### General Reserve

- 9.8 The expected General Reserve at 31 March 2025 is £12.295m equating to 3.0% of the revenue budget of £405.444m for 2025/26.
- 9.9 The forecast General Reserve balance of £12.295m meets one of the key MTFS principles to seek to maintain the General Reserve at a minimum of 2.0% of the net revenue budget. The closing General Reserves at 31 March 2029 are estimated to remain at £12.295m equating to 2.8% of the net revenue budget of £436.400m.

### Insurance Reserve

- 9.10 The Insurance Reserve is maintained for potential liabilities and costs which fall onto the Commissioner where it is more economical to keep a reserve than seek specific insurance. Potential liabilities include storm damage, business interruption and claims that would fall within the Commissioner's policy excess limits. The level of this reserve is £3.000m and it is not anticipated that this will change over the period of the MTFS.

### Operational Systems Reserve

- 9.11 The Operational Systems Reserve was created at the end of the 2022/23 financial year through a transfer from the Police Pension Scheme Funding Reserve, to provide £3.400m of funding to ensure the swift delivery of major transformation schemes, including the replacement of operational police systems and IT.

The Operational Systems Reserve of £3.400m will be used to support Digital Policing capital expenditure in 2025/26.

### Workforce Management Reserve

- 9.12 The Workforce Management Reserve was established to manage costs associated with workforce change and has a balance of £1.320m. This reserve will be retained as a backstop to meet unexpected people related costs associated with any workforce change required over the medium-term, to ensure that such pressure does not impact on the sustainability of planned investment in the revenue budget.

### Emergency Services Network (ESN) Reserve

- 9.13 The approved budget for 2019/20 included a planned transfer to earmarked reserves to protect against specific risks for Northumbria, of which £2.600m was identified to establish the Emergency Services Network (ESN) Reserve.

To reduce the extent of costs falling on the Force and to minimise the impact on operational policing, the implementation of ESN in Northumbria will be funded through a mix of prudential borrowing and the use of the ESN reserve.

The total reserve balance will be used in full to manage the cost of ESN implementation expected for Northumbria. Due to slippage in the National timeline for ESN implementation the majority of the capital costs for ESN delivery in Northumbria are expected in 2027/28 and therefore the reserve balance is fully committed in that year.

#### **Investment Reserve**

- 9.14 Significant investment in policing services for Northumbria residents was approved by the Commissioner in 2020/21 and part of the total funding allocated for that year was identified to support the investment in future years, to ensure that it would remain sustainable over the medium-term.

The Investment Reserve will be increased at 31 March 2025, through transfers from the Operational Reserve and the Inflationary Risks Reserve, both of which will be discontinued. The balance on the Investment Reserve at 31 March 2025 is estimated at £21.535m.

The Investment Reserve will provide funding over the 4-year MTFS period to sustain investment in policing services whilst efficiency plans are developed to meet the budgetary gap. The forecast use of £20.500m has been profiled over the 4-year MTFS period through to 2028/29, leaving a small balance remaining of £1.035m.

#### **Pay Inflation Reserve**

- 9.15 An earmarked reserve of £2.053m was created at the end of 2022/23 from the underspend against the Commissioner's Capital Financing budget. This reserve will continue to provide some mitigation for the risk that annual pay awards are above the current MTFS estimates, in the case that government provide no additional financial support.

#### **OPCC Innovation Reserve**

- 9.16 This reserve represents funds identified for innovative work with partner agencies through the Office of the Police and Crime Commissioner. The reserve ensures that income identified for this purpose remains available by carrying forward balances held for projects between financial years. The balance on the reserve is estimated at £0.771m and is expected to be utilised over the MTFS period to support that partnership work.

#### **External Funding Reserve**

- 9.17 The External Funding Reserve represents receipts of income which are not time limited, and which are carried forward at the year-end to be used in future years, in-line with any terms and conditions. The reserve represents income received from external partners, which is to be used to fund specific activities and policing services. Primarily, external funding reserve balances reflect timing differences only, with income received being utilised in the following financial year.

#### **Hosted Policing Services Reserve**

- 9.18 Balances relating to hosted national and local policing services are estimated to be £0.822m at 31 March 2025. This relates to the National Rural Crime Unit (£0.322m) and the Local Resilience Fund

(LRF) (£0.500m) both of which are hosted by Northumbria Police, delivering capabilities in partnership with national policing, local authorities, and other agencies. The reserve will represent receipts of income which are not time limited, and which are carried forward at the year-end to be used in future years, in-line with any terms and conditions.

## NEROCU Reserve

9.21 The NEROCU reserve comprises the Northumbria share of the North East Regional Organised Crime Unit (NEROCU) reserve. NEROCU is the three-force collaboration with Durham and Cleveland aimed at tackling serious and organised crime in the region. The NEROCU reserve primarily comprises income received through the Asset Recovery Incentivisation Scheme (ARIS) and is expected to be utilised over the MTFS period to support multi-year regional capabilities and projects.

## 10. Risk Assessment

10.1 The MTFS contains the most up to date information at the time of drafting, but the Commissioner's financial position is dynamic. A comprehensive financial risk assessment is undertaken for the revenue and capital budget setting process to ensure all risks and uncertainties affecting the Commissioner's financial position are identified. The Commissioner faces several significant financial pressures that could affect the position over the medium-term. An assessment of the likelihood and impact of each risk and the management controls in place are shown in the following table:

Risk	Likelihood	Impact	Mitigation
General Reserve not sufficient to cover future unexpected costs.	Possible	High	Reserve strategy to maintain balance at a minimum of 2.0% of budget.
Pay awards and price inflation being higher than anticipated.	Possible	High	Budget based on best information available and set at a prudent level. Earmarked reserves created to provide additional mitigation and support for Pay Award risk.
Pensions Special Grant not being included within the next SR.	Unlikely	High	The Pensions Special Grant has been received from government each year since 2019/20 and it is now considered unlikely that this funding will cease. Particularly given the Government's commitment to maintaining the National Uplift in police officers and the new investment in Neighbourhood Policing from 2025/26. In addition, the grant has been further increased for 2024/25 to reflect the full additional cost of a further increase to the employer pension contribution rate for police officers from 1 April 2024, as a result of the 2020 Valuation.
Implementation of the National Emergency Services Network (ESN) in	Likely	Medium	An ESN Reserve has been created which will contribute to the financing of ESN capital

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigation</b>
Northumbria – risk that the costs of implementation are increased against current estimates and timescales for delivery are further delayed.			expenditure combined with prudential borrowing. National updates are considered as they are released and any increase will be factored into the capital programme at the earliest opportunity, with revenue implications considered as part of the overall revenue and capital budget setting process, and medium-term financial planning.
Capital financing charges will be higher than forecast.	Unlikely	Low	Revenue implications are considered as part of capital planning and any changes to variable rates will have minimum impact as 100% of existing debt is at fixed rates.
Failure to deliver planned savings.	Possible	Medium	Quarterly revenue monitoring updates to the Commissioner and monthly monitoring undertaken by the Chief Finance Officer and Chief Constable; maintenance of the General Reserve balance above 2.0% of budget.
Further reductions in funding including unfavourable review of funding formula.	Possible	High	Balance on General Reserve maintained at minimum of 2.0%; forward planning; annual review of MTFS; regular monitoring.
Future council tax rises are limited by government restrictions.	Possible	Medium	The MTFS includes a future assumption of £14.00 per year for a Band D property for 2026/27 to 2028/29 which is in-line with the referendum limit set by the new government for 2025/26. Referendum limits over the past six years have ranged between £10.00 to £15.00 per year for a Band D property therefore the balanced budget forecast is not reliant on an unreasonable level of annual increase to Council Tax funding.
Costs associated with the outcome of the national legal challenge to the Police Pension Scheme (2015) transition arrangements are not met centrally by the Home Office.	Possible	Medium	Balance on General Reserve maintained at minimum of 2.0%; Insurance Reserve maintained at £3.0m; close budget monitoring; annual review of budget and MTFS; existing Police Pension Fund arrangements require the Home Office to balance the deficit on the Fund each year

Risk	Likelihood	Impact	Mitigation
			through a top-up grant. Remedy Compensation Grant process set up from 2024/25 to manage associated costs including process for reimbursement of net cost to forces from the Home Office.
Not all risks have been identified.	Unlikely	Medium	Comprehensive insurance arrangements are in place alongside robust risk management arrangements; balance on General Reserve maintained at a minimum of 2% of budget.

## 11. Conclusion

- 11.1 The approach set out in this MTFS intends to deliver a balanced budget. The MTFS financial plan demonstrates that a sustainable position can be achieved over the medium-term and the General Reserve can be maintained above the minimum set out in the Commissioner’s Reserves Strategy, estimated at £12.295m (2.8% of revenue budget) at March 2029.
- 11.2 However, there are many unknowns within the current economic and political environment and together with a one-year settlement for 2025/26, it remains extremely difficult to predict an accurate financial picture with a high degree of confidence. The budget estimates for future years will require further consideration as the financial landscape becomes clearer and government funding support beyond the 2025/26 financial year is confirmed.
- 11.3 The Strategy is predicated on many key assumptions around resource requirements, future costs, and the level of total funding. Due to the challenging economic and financial climate and limited funding information available to Northumbria Police beyond the current settlement year, there remains a level of risk throughout the period of the MTFS and the financial context for Northumbria Police remains extremely challenging.