

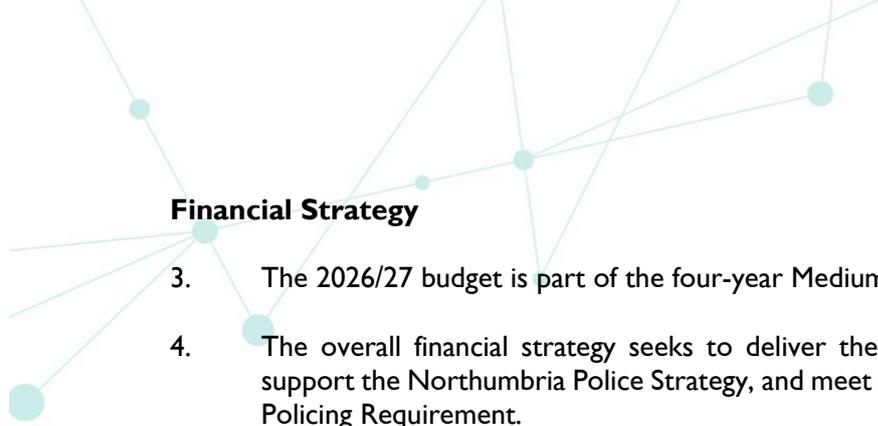
Proposed Council Tax and Revenue & Capital Budgets 2026/27

I. Summary of Proposed Council Tax and Revenue & Capital Budgets 2026/27:

- A proposed revenue budget of £437.831m for policing and crime reduction that includes:
 - Maintaining the Northumbria investment in Neighbourhood Policing delivered in 2025/26.
 - A further 54 Neighbourhood Policing posts delivered by March 2027.
 - Capital investment in buildings, vehicles, and new technology of £72.316m.
 - Proposed increase of £18.50 per year on the Council Tax Precept for a Band D property in 2026/27 to raise an additional £7.958m income, which will allow us to remain resilient while continuing to invest in improvements and services that matter most to our communities:
 - Reducing crime and antisocial behaviour across all our communities through multi-agency hubs and strengthened offender management;
 - Enhancing our ability to tackle motorcycle-related ASB and neighbourhood drug crime through drone capability;
 - Investing in a single communications centre that will drive efficiencies and improve local responsiveness; and
 - Strengthening our safeguarding of women and girls through increased preventative activity and investigative capacity, particularly in relation to domestic abuse.

Considerations

- #### 2. In preparing the Revenue and Capital Budgets for 2026/27 the following have been considered:
- The key principles underlying the Medium-Term Financial Strategy (MTFS).
 - The Police Grant settlement for 2026/27 which has provided detail on Home Office core grant funding for both revenue and capital, legacy Council Tax grants, Special Pension Grant (NPG), National Insurance Compensation Grant, 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 2025/26; budget pressures and savings identified for 2026/27; 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 2026/27 budget is part of the four-year Medium Term Financial Strategy (MTFS).
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 18 December 2025. The Final Grant Report was published on 28 January 2026.
6. The key headlines from the settlement are:
 - Overall funding for the policing system in England and Wales, *including to police forces and wider system funding*, will be up to £21.0 billion, an increase of up to £1.3 billion when compared to the 2025/26 funding settlement, representing a cash funding increase of 6.7% and a real terms increase of 4.4%.
 - Funding for Counter Terrorism policing increased by £50.000m.
 - Total funding for territorial police forces up to £18.4 billion, an increase of up to £796.000m, comprising:
 - Increase of £432.000m in government grant.
 - Up to £364.000m in Council Tax Precept.
 - The £432.000m increase in government grant includes £50.000m to support the Government's neighbourhood policing objectives, delivering a further 1,750 neighbourhood posts nationally by March 2027.
 - Out of the total funding allocated to territorial forces, £363.000m will be allocated as Neighbourhood Policing Ringfence Grant. Forces can receive this funding if, by March 2027, they increase the number of officers and PCSOs working in neighbourhood policing in line with their locally set neighbourhood policing target.
 - Removal of the overall officer headcount target, replaced with a Neighbourhood Policing target in 2026/27.
 - Removal of all other workforce grants (Uplift, Overshoot and NPG Year 1).
 - The Special Pension Grant and the National Insurance Compensation Grant have been maintained in flat cash terms nationally.
 - 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 2025/26 is £15.00 per year for a Band D property.
 - Forces able to apply for exceptional precept flexibility on the 2026/27 referendum limit.
 - Police Capital Funding – For the fifth year running there is no capital grant funding allocated to police forces in the settlement.
7. In the [Written Ministerial Statement](#) (WMS) on the Provisional Police Grant Report 2026/27 the Minister of State for Policing and Crime confirms that *'the Government has published its*

Police Reform White Paper, which sets out our ambitious plans to modernise the policing system and ensure it is better structured and equipped for the future. This settlement underpins these plans with £1.4 billion of Home Office investment in the wider policing system’.

8. The WMS describes that investment in the wider policing system will:

- Kick-start delivery of our programme of police reform with £119 million investment in 2026-27. This first-year investment will deliver new police capabilities: establishing a new national centre for AI in policing - Police.AI – which will enable the rapid and responsible adoption of AI across policing, national rollout of live facial recognition, and investment to strengthen the use of data across policing.
- Support the delivery of Major Law Enforcement Programmes which will modernise national mission-critical systems, tackle a range of threats and make our streets safer and without which policing cannot operate effectively.
- Invest in tackling knife crime, through continued funding for serious violence reduction programmes in every force area, including in 20 Violence Reduction Units, and over £28 million dedicated investment to policing through our County Lines Programme which has closed thousands of county lines, protected thousands of criminally exploited children and is delivering significant reductions in knife stabbings in key force areas.

Northumbria Settlement

9. The total grant increase for Northumbria is £10.871m.

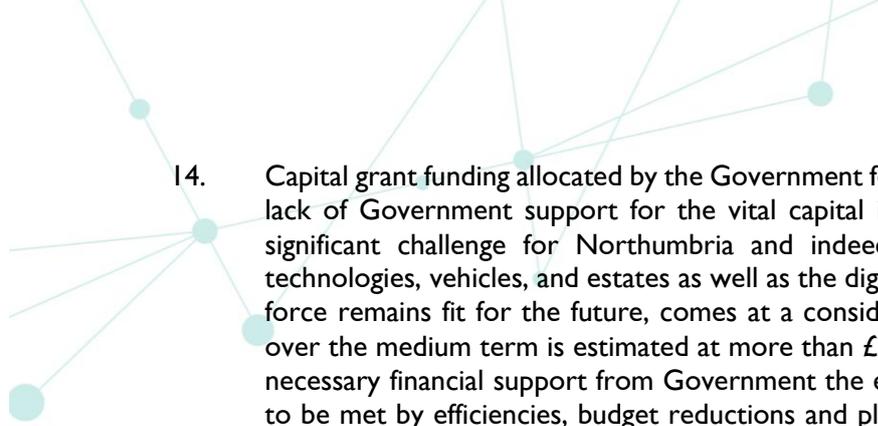
Northumbria Grant Settlement	2026/27 £000
Net Increase to Core Grant	22,257
Neighbourhood Policing Ringfence Grant	11,266
Removal of Uplift, Overshoot and NPG Year 1 Grant	-22,685
Small increase to National Insurance Compensation Grant	33
Total Increase	10,871

10. Of the total grant funding for Northumbria, £11.266m is allocated as Neighbourhood Policing Ringfence Grant. The force will be eligible to receive their share if they increase the number of officers and PCSOs assigned to neighbourhood policing, by March 2027. The detail of the grant funding terms and conditions have yet to be released. It is expected that the grant will be conditional on the Force maintaining the NPG Year 1 investment of 95 police officers, 27 PCSOs and 30 specials and delivering the NPG Year 2 target of 54 neighbourhood posts.

11. NPG Year 2 - The Neighbourhood Policing Ringfence Grant includes £1.540m of new funding allocated to deliver 54 additional Neighbourhood Policing Personnel by 31 March 2027. This is the force share of the £50.000m provided nationally and equates to only £29,000 per post.

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. Special grants for Police Pensions and National Insurance (NI) compensation remain payable with a small increase of £0.033m to the NI grant.

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14. Capital grant funding allocated by the Government for Northumbria is nil, as for 2025/26. 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 £135.000m 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.
15. Council Tax Precept – The Government has approved an exceptional precept referendum limit for Northumbria of £18.50 per year for a Band D property.

Capital Programme

16. On 27 March 2025 the Commissioner approved the original Capital Budget of £64.585m for 2025/26. At Q1 the budget was revised to £55.610m taking into account revised estimates and phasing of capital spend, including slippage from the 2024/25 financial year.
17. At Q3 the budget was revised to £27.289m, with the movement primarily attributed to major schemes being re-profiled into the new MTFs 2026/27 to 2029/30 capital programme.
18. The following table sets out the forecast outturn position for 2025/26 and a summary of the proposed capital programme for 2026/27:

Capital Programme	Capital Programme 2025/26 £000	Revised Budget 2025/26 £000	Forecast Outturn 2025/26 £000	Forecast Variance 2025/26 £000	Budget Estimate 2026/27 £000
Building Works	32,607	14,700	14,700	-	47,714
Digital Policing and Digital Transformation	15,768	6,333	6,333	-	18,513
Vehicles and Equipment	6,517	5,656	5,656	-	5,621
NEROCU Schemes	442	327	327	-	141
Funded Schemes	276	274	274	-	327
Total	55,610	27,289	27,289	-	72,316

19. The final capital budget for 2026/27 and the revised 4-year capital programme 2026/27 to 2029/30 will be approved with the Commissioners Capital Strategy by 31 March 2026.
20. 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, providing a modern, sustainable, and resilient estate to support effective policing, enhance community access and deliver long-term value for money through right-size assets, digital readiness, and environmental responsibility. 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 communications centre that will drive efficiencies and improve local responsiveness.

- **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.

Revenue Budget Position 2025/26

21. The Commissioner's Group revenue budget for 2025/26 is £400.780m. The Quarter 3 revenue monitoring report shows a projected underspend of £2.208m as at 31 December 2025.

Revenue Budget 2025/26 Group Position	Revised Budget 2025/26 £000	Forecast Outturn 2025/26 £000	Forecast Variance 2025/26 £000
Chief Constable	385,321	384,114	(1,207)
Office of the Police & Crime Commissioner	2,031	1,984	(47)
OPCC Supporting Services	1,540	1,530	(10)
Capital Financing	11,888	10,944	(944)
Group Position Total	400,780	398,572	(2,208)

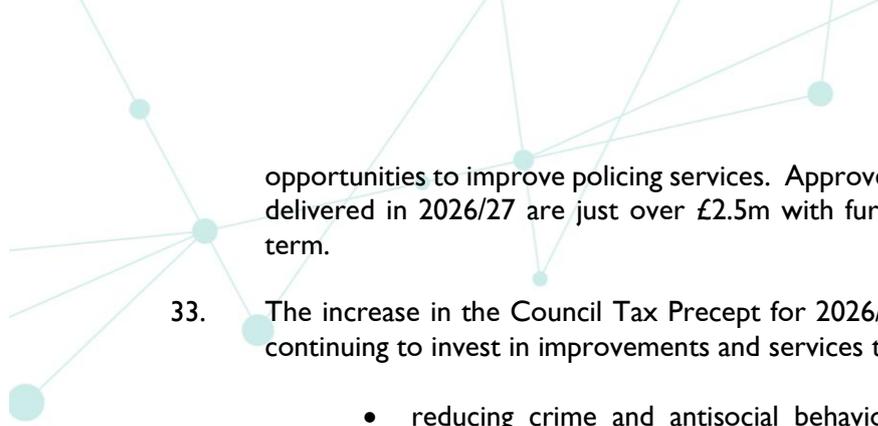
22. The Chief Constable's revenue budget for 2025/26 is £385.321m. The forecast outturn is within the budget allocated by the Commissioner with Digital Policing (£0.842m), Fleet running costs (£0.572m), and Crime Department non-pay budgets (£0.237m) contributing to the underspend position.
23. For Capital 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 £0.220m.
 - There is a forecast reduction in interest payments against budget of £0.724m 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.
24. The overall Group forecast represents an underspend of £2.208m, a variance of less than 0.6% of budget.
25. The forecast closing position on the general reserve for 2025/26 is £12.417m which is above the minimum set out in the Commissioners reserves strategy.

Revenue Budget 2026/27

26. For the financial year 2026/27, the proposed Group revenue budget is £437.831m as set out in the following table:

Group Revenue Budget 2026/27	Proposed Budget 2026/27 £000
Chief Constable	421,543
Office of the Police & Crime Commissioner (OPCC)	2,188
OPCC Supporting Services	1,444
Capital Financing	12,656
Net Expenditure	437,831
Central Government Grants	338,963
Council Tax Precept	92,739
Central Grant and Precept Total	431,702
Transfer (to)/from reserves	6,129

27. 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 2026/27 is £421.543m. The OPCC budget of £2.188m covers the running costs of the Commissioner and her office, covering all administration and governance arrangements including external audit costs and insurances. The OPCC Supporting Services budget of £1.444m 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.
28. The proposed revenue budget for 2026/27 will fully maintain the investment in Neighborhood Policing delivered in 2025/26.
29. 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 recruitment of more than 200 police officers in order to maintain officer numbers and NPG investment. Pay progression is included for existing officers and staff along with provision for the 2026 pay award (estimated at 3.0%), inflationary increases on injury pensions, rents, utilities, known contract increases and other non-pay inflation.
30. As part of the budget setting process for 2026/27 the force has worked to identify 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 2029/30.
31. A significant programme of work commenced in the spring to continue with and build on the Priority Based Budgeting (PBB) approach adopted for business planning in Northumbria in recent years, 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.
32. Heads of Departments and Area Commanders are required to identify both cashable and non-cashable efficiencies which can be delivered whilst maintaining performance and identifying

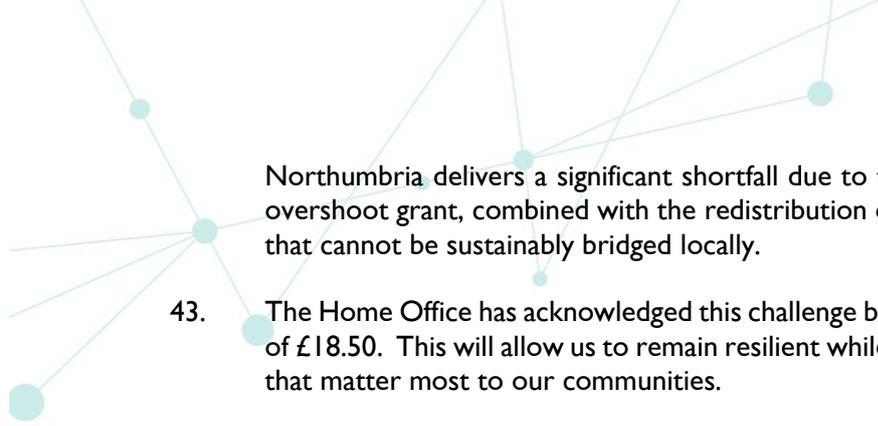


opportunities to improve policing services. Approved efficiencies and budget reductions being delivered in 2026/27 are just over £2.5m with further savings planned across the medium-term.

33. The increase in the Council Tax Precept for 2026/27 will allow us to remain resilient while continuing to invest in improvements and services that matter most to our communities:
 - reducing crime and antisocial behaviour across all our communities through multi-agency hubs and strengthened offender management;
 - enhancing our ability to tackle motorcycle-related ASB and neighbourhood drug crime through drone capability;
 - investing in a single communications centre that will drive efficiencies and improve local responsiveness; and
 - strengthening our safeguarding of women and girls through increased preventative activity and investigative capacity, particularly in relation to domestic abuse.
34. Capital financing costs included for 2026/27 reflect the additional revenue cost of supporting 2025/26 capital investment through prudential borrowing. This includes the planned profile of interest costs, investment income and the principal repayment of borrowing.
35. The planned use of earmarked reserves of £6.129m will come from the Investment Reserve which was set up in 2020/21 to maintain investment in policing services over the medium-term whilst efficiencies are delivered to sustain over the longer term.

Council Tax Options

36. 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.
37. The excessiveness limit approved for Northumbria for 2026/27 is £18.50 per year for a Band D property.
38. During 2025/26 the Council Tax base in the Northumbria force area increased by an average 1.63% to 430,149 (Band D equivalent properties). The increase in the Council Tax base for 2026/27 represents an increase of £1.354m in precept income when compared with 2025/26 which is higher than the expected increase of 1.20% within last year's MTFS forecast.
39. In addition, the net position estimated on the Commissioner's share of Collection Fund balances at 31 March 2026, across the six local billing authorities, is a surplus of £0.541m. (Surplus £1.084m as at 31 March 2025).
40. The surplus of £0.541m will be received by the Commissioner in 2026/27.
41. In calculating the overall settlement for policing in 2026/27 the Government proposed enabling each PCC to raise further funding for local priorities through an increase of up to £15.00 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.
42. Prior to the recent funding settlement, our financial planning was based on a £15 precept increase, which would have enabled essential investment and growth across key areas of policing capability. However, despite a national increase in police funding, the settlement for



Northumbria delivers a significant shortfall due to the withdrawal of the Home Office Uplift overshoot grant, combined with the redistribution of national funding. This has created a gap that cannot be sustainably bridged locally.

43. The Home Office has acknowledged this challenge by granting us exceptional precept flexibility of £18.50. This will allow us to remain resilient while continuing to invest in the improvements that matter most to our communities.
44. The proposal is to increase the Council Tax precept by £18.50 per year for a Band D property which equates to an increase of 9.45%. In making her proposal the Commissioner has stated, *'the Chief Constable and I 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'*.
45. The proposed increase is supported by the results of a public consultation during January 2026 and will provide additional income to allow us to remain resilient while continuing to invest in improvements and services that matter most to our communities.
46. The anticipated receipts of £92.198m from the Council Tax precept are fully reflected within the proposed budget for 2026/27 as set out earlier in the report.

Reserves

47. The Commissioner's reserves policy is set out in the MTFS and the Annual Reserves Strategy Statement and is subject to regular review.
48. 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 2026 the balance is estimated to be £12.417m which equates to 2.8% of the 2026/27 revenue budget.
49. Earmarked reserves are held by the Commissioner to address specific risks identified for Northumbria, with £6.129m of the Investment Reserve allocated to support the revenue budget in 2026/27. The remainder of earmarked reserves will remain broadly unchanged across the 2026/27 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

50. 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.
51. The budget and MTFS allow 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.
52. 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, Spending Review (SR) June 2025, Budget 2025 and the OBR Forecasts, and the levels of grant support anticipated beyond 2026/27.

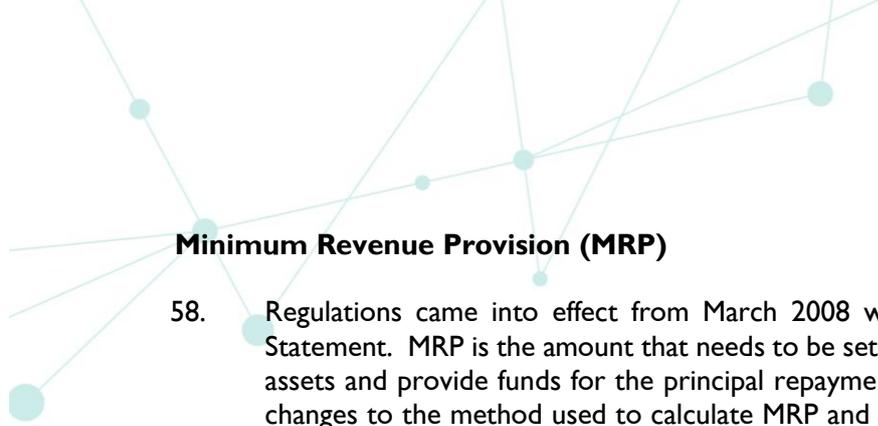
53. At 31 March 2026, the Commissioner's General Reserve is estimated at £12.417m (2.8% of revenue expenditure) in addition to other reserves which are earmarked for specific purposes. In estimating the level of reserves the Joint Chief Finance Officer has taken account of known commitments and the financial risks faced by the Commissioner which could impact on the level of reserves over the MTFS period.
54. 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 2026/27.

Council Tax Requirement

55. The notified Council Tax Base figure across the six billing authorities is a total of 430,149 for 2026/27 which is an increase of 6,917 against the previous year (+1.63%).
56. 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 2026/27	£m	£m
Total Revenue Expenditure		437.831
Add: Appropriations to/(from) Reserves		(6.129)
Budget Requirement		431.702
Government Grants:		
Home Office Core Grant	314.681	
Special Pension Grant	10.345	
National Insurance Compensation Grant	5.769	
Localised Council Tax Support Grant	6.867	
Council Tax Freeze Grant 2011/12	0.912	
Council Tax Freeze Grant 2014/15	0.389	(338.963)
Balance to be Raised Locally		92.739
Estimated Net (Surplus)/Deficit on Collection Funds		(0.541)
Council Tax Requirement		92.198

57. The proportion of collection funds' net surplus receivable by Northumbria Police from its constituent billing authorities is £0.541m for 2026/27.



Minimum Revenue Provision (MRP)

58. 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 2026/27 is attached at Annex A.

Financial Considerations

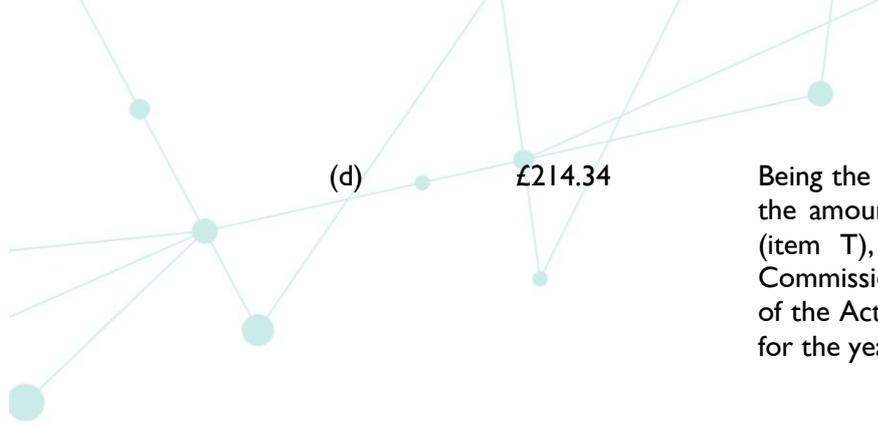
59. Financial implications are considered throughout the report.

Risk Management

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

Recommendations (Proposed)

61. 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.
 - IV. Note the Council Tax Base of 430,149 for the year 2026/27 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).
 - V. Approve the following amounts for the year 2026/27 in accordance with Sections 42A, 42B and 45 to 47 of the Local Government Finance Act 1992, as amended:
 - (a) £476.369m 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) £384.171m 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) £92.198m 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)

£214.34

Being the amount at (c) above (item R) divided by the amount noted in Recommendation IV. 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	£142.89	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.
B	£166.71	
C	£190.52	
D	£214.34	
E	£261.97	
F	£309.60	
G	£357.23	
H	£428.68	

62. Resolve that under Section 52ZB of the Local Government Finance Act, the Commissioner's relevant basic amount of Council Tax for 2026/27 is not excessive in accordance with the principles determined under Section 52ZC (1) of the Act for 2026/27.
63. 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 £92,198,177 for the financial year beginning 1 April 2026, 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.
64. Accept the recommendation of the Joint Chief Finance Officer (Treasurer) for the method of calculating MRP for 2026/27 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 2026/27

The MRP charge for 2026/27 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 2026/27 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 plan aims to maintain a prudent General Reserve level set at up to 3.0% of net revenue budget.

The proposed budget as presented for 2026/27, 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 £12.417m representing around 2.8% of net revenue budget, which is well above the minimum in the strategy.

Pay Increases

The revenue budget for 2026/27 includes financial forecasts based on a pay award of 3.0% from 1 September 2026. The risk is that actual pay increases for 2026/27 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 in previous years PACCTS and NPCC members have generally sought to agree a consensus estimate for pay increases, set at an affordable level for policing, whilst taking into account OBR inflation estimates and government announcements for public sector pay increase generally. Over the past few years both the current and former government have made additional one-off grant funding available in-year to manage the additional cost of higher pay awards. The current government have made it clear that over the spending review period to 2028/29 there will be no additional money available and all pay increases will need to be managed from within the SR funding allocation set out in June 2025.

As a result, the pay award estimate has been increased from 2.0% to 3.0% for 2026/27.

Future years of the MTFS will be maintained at a prudent estimate of 2.5% pa.

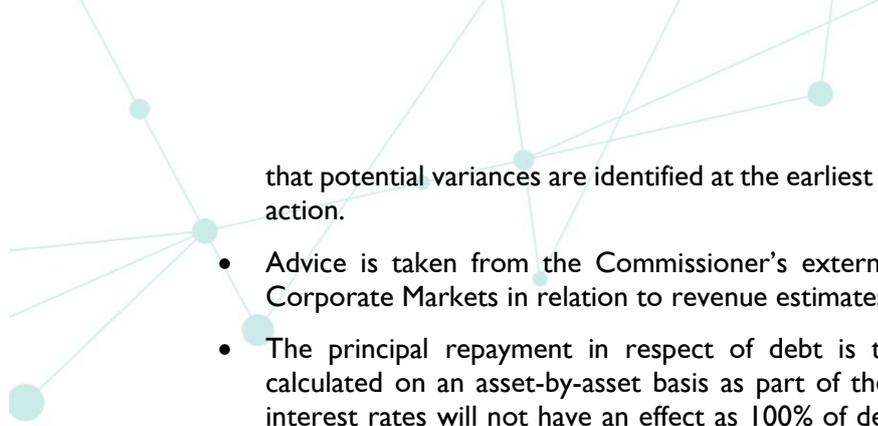
Price Increases and Inflation

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.
- 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.

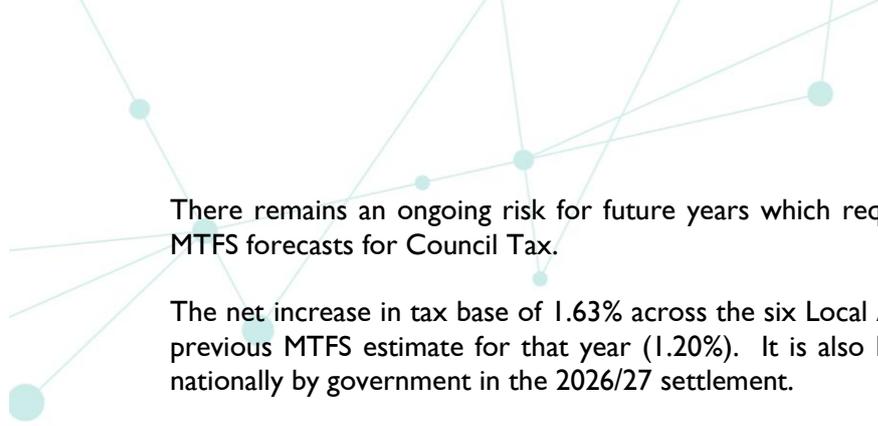
Interest Rates on Deposits

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 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 across the Northumbria police area 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 over the 4 years since.

Tax base growth in the region as a whole has generally been higher than the average nationally, but there can be material variances between local authorities. Average growth in recent years has ranged from 1.49% to 2.19% across 2022/23 to 2025/26.



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 1.63% across the six Local Authorities for 2026/27 is higher than the previous MTFS estimate for that year (1.20%). It is also higher than the average of 0.9% assumed nationally by government in the 2026/27 settlement.

The risk is that the tax base set for 2026/27 is not achieved and the resulting deficit becomes payable in 2027/28, however the six Local Authorities returned a net surplus on the 2022/23 collection fund of £0.902m, £1.290m for 2023/24, £1.084m for 2024/25 and a further £0.541m is forecast on the 2025/26 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 2026/27 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.