

**NORTHUMBRIA POLICE AND CRIME COMMISSIONER****Key Decisions****Title and Reference****Medium Term Financial Strategy 2026/27 to 2029/30****(PCC/745/2026)****Summary**

The Medium-Term Financial Strategy (MTFS) sets out the key financial issues facing the Police and Crime Commissioner over the period 2026/27 to 2029/30 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 2026/27 to 2029/30.

Northumbria Police and Crime Commissioner

I hereby approve the recommendations above.

Signature**Date 26.3.2026**

Police & Crime Commissioner for Northumbria

MEDIUM TERM FINANCIAL STRATEGY

2026/27 – 2029/30

Police & Crime Commissioner for Northumbria
Medium-Term Financial Strategy 2026/27 – 2029/30

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Foreword by the Police and Crime Commissioner for Northumbria

I am pleased to present the Medium-Term Financial Strategy for Northumbria Police, my second since I took post as Police and Crime Commissioner in May 2024. 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.

Although, as we know, the role of PCC is changing in 2028, right now I have a job to do — and that is to make sure Northumbria Police is properly resourced and in the best possible position to deliver for our communities, keep people safe and offer value for money.

The Police Reform White Paper published earlier this year makes clear that the Government shares these ambitions. It sets out proposals including the creation of a new National Police Service, possible mergers between forces, new policing targets and significant investment in technology. These represent substantial changes.

I support the drive to modernise policing so officers can respond more quickly and are better equipped to deal with increasingly complex crime. However, these proposals are still at an early stage, and we await further detail to understand what different structures or governance arrangements could mean for Northumbria.

Despite a national increase in police funding, our local position is still one of financial challenges - with ongoing inflation, rising costs and changes to funding streams and allocations.

It's important to note that while I will always lobby for more Government funding into policing – I want to make clear that a lot of good financial planning work goes into the development and delivery of this MTF. The Force continues to take a Priority Based Budgeting approach which is about driving forward with efficiency savings to best invest for the future – ensuring we are delivering the best possible services to the public in the most cost-effective way.

Another positive I wish to highlight is that because of the government's Neighbourhood Policing Guarantee, officer recruitment here in Northumbria is on track – significantly boosting neighbourhood officer numbers with an additional 95 police officers, 27 PCSOs and 30 Specials. Looking ahead to Year 2 of the Neighbourhood Policing Guarantee, we have had further Government funding allocated meaning the force will increase the number of officers and PCSOs assigned to neighbourhood policing by a further 54 posts by March 2027.

This all helps Northumbria's strong neighbourhood policing approach which seeks to prioritise visibility and public engagement as well as delivering on priority one of my Police and Crime plan around having an engaged and responsive police force.

But neighbourhood policing isn't the only area we need to fund and that is where the Precept can help with investment in other priority areas.

This increase will help the force remain resilient while continuing to invest in the services that matter most to our communities. Specifically, it will support:

- Continued work to reduce crime and antisocial behaviour across all communities, including through multi-agency hubs and strengthened offender management.
- Enhanced capability to tackle motorcycle-related antisocial behaviour and neighbourhood drug crime, supported through expanded drone capability.
- Investment in a single communications centre, improving responsiveness and driving efficiencies across call-handling and control room operations.
- Strengthened safeguarding for women and girls, through increased preventative activity and enhanced investigative capacity, particularly in relation to domestic abuse.

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.

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.

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

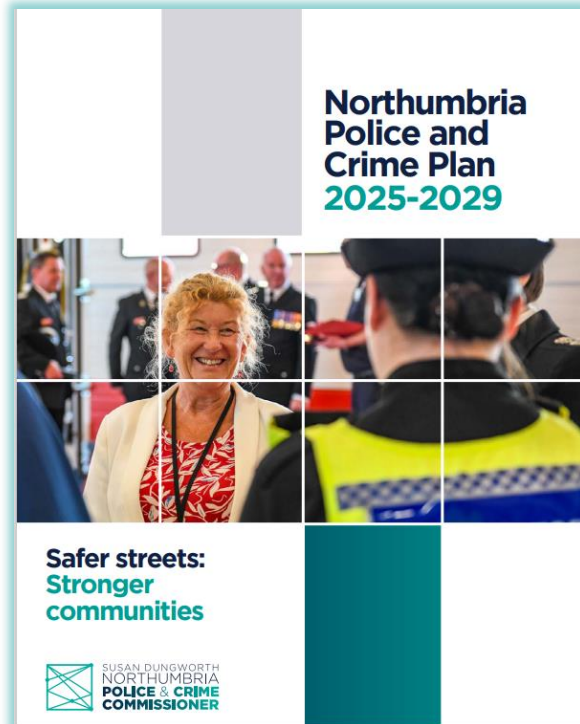
Susan Dungworth
Northumbria Police and Crime Commissioner

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 2026/27 to 2029/30 will continue to deliver and build upon the investment in policing for Northumbria residents approved by the Commissioner in 2025/26. The Strategy will assist the Force to become better prepared to meet future demand; maintain the much-welcomed boost to Neighbourhood Policing by the 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 underfunding for policing, higher levels of



pay and non-pay inflation, ongoing conflict across the middle east, disrupted energy supply chains, a rise in interest rates for borrowing, and economic uncertainty. 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 including delivery of the Neighbourhood Policing Guarantee, 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 2026/27 to 2029/30 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 2026/27 to 2029/30 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 Budget 2025, Spending Review (SR) 2025, the police settlement 2026/27 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 2026/27 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 2026/27 financial year is confirmed.

5.4 To support delivery of the Strategy the Commissioner has approved an increase in the Council Tax Precept of £18.50 per year for a Band D property in 2026/27. Whilst the basic referendum limit is £15.00 per year, the government has granted exceptional precept flexibility of £18.50 for a small number of forces including Northumbria. The precept decision has raised an additional and

recurring £7.958m funding for policing in Northumbria, 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.
- Strengthening our safeguarding of women and girls through increased preventative activity and investigative capacity, particularly in relation to domestic abuse.

5.5 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 significant investment in the force estate:

- New HQ and Single Communications Centre
- Dog Kennelling Facility
- Operational Training Facility
- Decarbonised Estate which supports a ULEV (ultra-low emission vehicle) fleet and government targets for achieving net-zero carbon.

5.6 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 Whilst government funding for policing has increased over the last 6 years, increases have been primarily targeted at Uplift and Neighbourhood Policing targets, with limited inflationary increases to cover higher pay awards and other financial pressures. Northumbria are one of only a small number of forces yet to return to pre-austerity officer numbers.

6.2 The higher levels of inflation experienced in the economy over the past four 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. There are new emerging risks due to the ongoing conflict across the middle east, disrupted energy supply chains, interest rates for borrowing starting to increase and economic uncertainty.

6.3 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 2026/27, whilst making prudent assumptions on future funding levels and expected budget requirements.

6.4 For 2025/26 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 2025, shows a projected underspend of £2.208m for the Group as set out in the following table:

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)
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6.5 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.

6.6 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.

6.7 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.

Police Reform

6.8 In January 2026, the Government published its policing reform White Paper, From Local to National: A New Model for Policing, introducing a shift toward a more national model designed to reduce fragmentation, improve consistency, and modernise capability across England and Wales. It proposes the creation of a National Police Service to centralise specialist functions such as serious and complex crime, digital forensics, and procurement, relieving local forces of costly duplication and enabling resources to be redirected into neighbourhood policing and frontline visibility. The White Paper also outlines potential consolidation of police forces, stronger national performance standards, workforce and leadership reforms, and a renewed emphasis on restoring local policing presence—all of which signal substantial future implications for funding, workforce planning, digital investment, and organisational change for every force.

6.9 Whilst specific outcomes of the White Paper cannot be predicted for Northumbria, the force has undertaken an impact assessment to consider the impact of potential mergers with neighbouring Forces from an Estates Strategy and local policing estate perspective. The outcome of the assessment by the Estates Board concludes that the planned capital investment in the force estate over the medium-term remains appropriate.

National Police Settlement 2026/27

6.10 The final police grant settlement was published on 28 January 2026.

6.11 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 is 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 2026/27 set at £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.

Northumbria Settlement 2026/27

6.12 The total grant increase for Northumbria is £10.871m as set out in the following table.

Northumbria Grant Settlement	2026/27 £m
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	0.033
Total Increase in Funding	10.871

- 6.13 Of the total grant funding for Northumbria, £11.266m is allocated as Neighbourhood Policing Ringfence Grant which is conditional funding. In addition to maintaining the NPG Year 1 investment of 95 police officers, 27 PCSOs and 30 specials the force will be required to deliver the NPG Year 2 target.
- 6.14 NPG Year 2 - The Neighbourhood Policing Ringfence Grant includes £1.540m of new funding allocated to increase the total number of officers and PCSOs assigned to neighbourhood policing, by a further 54 posts, by 31 March 2027. This is the force share of the £50.000m provided nationally and equates to only £29,000 per post.
- 6.15 Special grants for Police Pensions and National Insurance (NI) compensation remain payable with a small increase of £0.033m to the NI grant.
- 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.

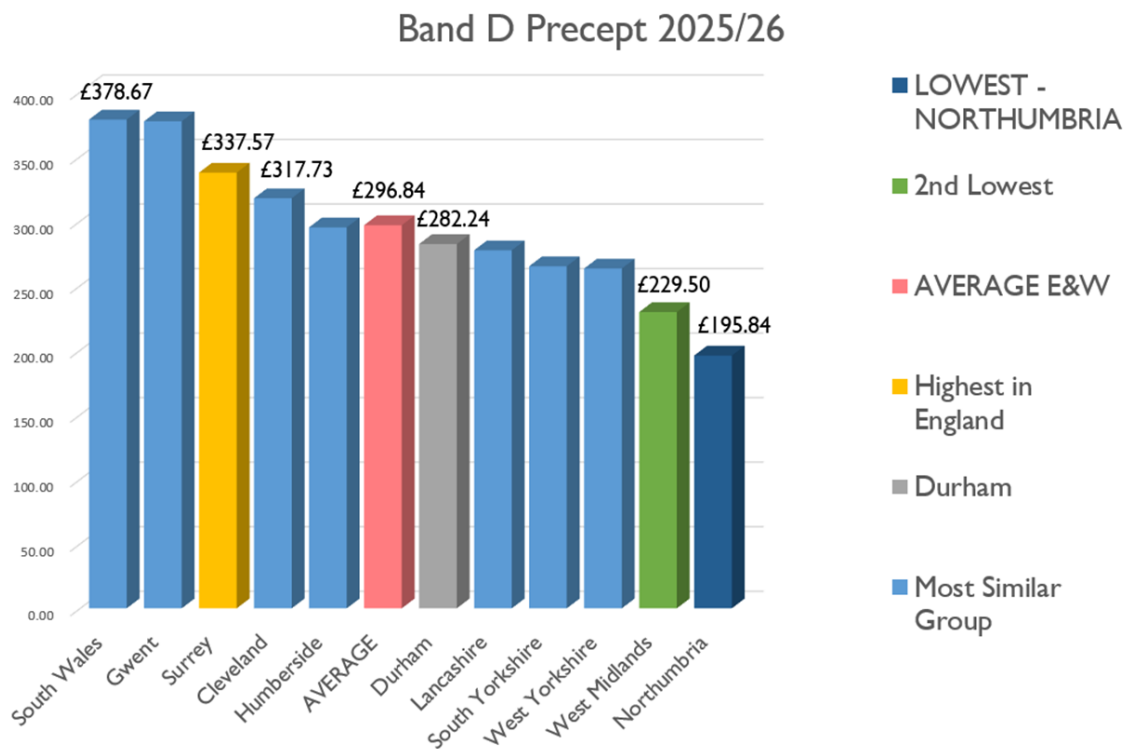
- Home Office Legacy Council Tax Freeze Grants totalling £1.301m, relating to the freeze in the precept for 2011/12 and 2014/15.
- Localised Council Tax Support Grant £6.867m, relating to the transfer of responsibility for Council Tax Benefit from Government to Local Authorities on 1 April 2013. As a 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 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 £152.000m 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.

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 2025/26.



6.20 As is clear from the graph above the Northumbria Band D precept charge of £195.84 for 2025/26 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 £130.56. For 2025/26 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 2026/27 that amount was up to £15.00 per year for a Band D property. However, the government introduced a mechanism to approve a higher increase in exceptional circumstances.
- 6.22 Despite a national increase in police funding, the settlement for Northumbria delivers a significant shortfall due to the withdrawal of the Home Office overshoot grant, combined with the redistribution of national funding. This has created a gap that cannot be sustainably bridged locally.
- 6.23 The Home Office acknowledged this challenge and approved an exceptional precept referendum limit for Northumbria of £18.50 per year for a Band D property.
- 6.24 In making the proposal for a precept increase in 2026/27 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’*. The proposed increase to the Council Tax Precept for 2026/27 was supported by the results of a public consultation during January 2026. The Commissioner has therefore approved an increase in the Council Tax Precept of £18.50 per year for a Band D property (36 pence per week), providing additional income which will allow us to remain resilient while continuing to invest in improvements and services that matter most to our communities.
- 6.25 For the majority of residents in the Northumbria area, those in a Band A property, the actual increase is only £12.33 per year (24 pence per week).
- 6.26 The additional income generated by the precept increase for 2026/27 is £7.958m.
- 6.27 The MTFs is presented using an assumption that the basic referendum limit set by the government remains at £15.00 per year for a Band D property. However, the actual precept decision 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.

7. Medium-Term Financial Strategy

7.1 Whilst the Medium-Term Financial Strategy (MTFS) 2026/27 to 2029/30 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.
- No information is yet available for future years (Year 3 and 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 2026/27 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 ongoing conflict in the middle east presents an emerging risk to financial projections, impacting on fuel prices, energy costs, interest rates and other supply chain factors.

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 2026/27 financial year is confirmed.

7.3 The MTFS is summarised in the following table and explained in further detail in paragraphs 7.4 to 7.16:

Medium Term Financial Strategy 2026/27 to 2029/30	Approved	Future Year Estimates		
	Budget 2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Base budget		437.8	454.1	469.1
Current assessment of net change arising from pay and price increases, budget pressures, capital financing requirements and identified savings across future years:		18.3	17.0	11.8
Efficiency Target		(2.0)	(2.0)	(2.0)
Total Budget	437.8	454.1	469.1	478.9
Core Grant Income 2026/27	314.7	314.7	314.7	314.7
Increase to Core Grant 2027/28	-	9.5	9.5	9.5
Increase to Core Grant 2028/29	-	-	4.0	4.0
Increase to Core Grant 2029/30	-	-	-	4.0
Special Pension Grant	10.3	10.3	10.3	10.3
National Insurance Grant	5.8	5.8	5.8	5.8
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 (2026/27)	92.2	92.2	92.2	92.2
Council Tax - Tax Base Increase/(Reduction)	-	1.3	2.7	4.2
Council Tax - Precept Increase £15.00 pa	-	6.5	13.1	19.8
Council Tax - Surplus/(Deficit) on Collection Fund	0.5	0.8	0.8	0.8
Total Budget	431.7	449.3	461.3	473.5
Funding gap / (surplus) before reserves	6.1	4.8	7.8	5.4
Transfer to / (from) Reserves				
Planned use of reserves:	(6.1)	(4.8)	(7.8)	(5.4)
Funding gap remaining after planned use of reserves:	-	-	-	-

- 7.4 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 3.0% for 2026/27, 2.5% for 2027/28 and 2028/29, then 2.0% for 2029/30.
- 7.5 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.
- 7.6 The NPG ring-fenced grant for 2026/27 is £11.266m. The MTFS assumption for future years is that the grant is maintained in flat cash terms each year.
- 7.7 In order to maintain officer numbers, the Force will replace more than 1,000 police officers leaving the Force through retirement and natural attrition, with new recruits over the 4-year MTFS period.
- 7.8 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.
- 7.9 Throughout the MTFS period savings and efficiencies will continue to be delivered, to sustain the investment in policing, deliver transformation programmes and to continue to support local policing services:

- Annual Priority Based Budgeting (PBB) exercise.
- Participation in the Police Efficiency and Collaboration Programme (PECP).
- Procurement savings through the continued use of national frameworks.
- Maximising income generation wherever possible.

7.10 The Commissioner has approved a revised four-year capital programme, which is summarised in Section 8. The revenue implications of this programme are fully reflected in the MTFs.

Total Income

7.11 **Grant Income** – The government have provided no force level data on future grant funding beyond 2026/27. The Spending Review (SR) 2025 set out estimates for increases to Police Core Spending Power nationally for 2027/28 and 2028/29. These have been used to determine an estimate for funding increases over 2027/28 to 2029/30.

Core Grant	2027/28	2028/29	2029/30
	£m	£m	£m
National Increase (SR 2025)	700.0	500.0	
Counter Terrorism	-25.0	0.0	
Council Tax Income	-367.0	-370.0	
Estimate Core Grant	308.0	130.0	
Northumbria at 3.08%	9.5	4.0	4.0
Grant Increase %	2.7%	1.1%	1.1%

7.12 **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, and therefore the assumption is that they will continue for the medium-term.

7.13 **Council Tax Precept** – The precept increase for 2026/27 is £18.50 per year for a Band D property, but this reflects the exceptional flexibility granted for a small number of forces including Northumbria. The MTFs is presented using an assumption that the basic referendum limit set by the government remains at £15.00 per year for a Band D property. 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.

7.14 **Tax Base Increase** – The actual tax base movement for 2026/27 is an increase of 1.63% (2.19% 2025/26). Future year estimates are set at a prudent level of 1.4% pa which is just above the OBR (Office for Budget Responsibility) national tax base estimates.

7.15 **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 2026, across the six local billing authorities, is a surplus of £0.541m and this amount will be received in 2026/27. Future years are estimated at a net surplus of £0.800m.

7.16 **Funding Gap and Planned Use of Reserves**

- The Investment Reserve will be used over 2026/27 to 2029/30 to maintain investment in policing services as appropriate efficiency programmes are implemented to meet the budgetary gap.
- The estimated balance on the Investment Reserve at 31 March 2026 is £26.3m. The use of £24.1m has been profiled over the 4-years of the MTFs to manage the anticipated funding gap in each year, leaving a balance remaining of £2.2m.
- 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	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Total £000
Building Schemes	35,409	32,448	10,401	4,964	83,222
Digital Policing and Digital Transformation	19,006	4,803	16,278	8,553	48,640
Vehicles and Equipment	6,598	3,939	4,344	3,991	18,872
NEROCU Schemes	141	200	218	220	779
Funded Schemes	327	536	187	188	1,238
Total	61,481	41,926	31,428	17,916	152,751

8.2 Key areas to note in the capital programme are:

- Major and Minor Building Schemes** – The Estates capital programme will provide a modern, sustainable and resilient estate to support effective policing, enhance community access and deliver 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, the capital programme will fully deliver the planned new estate (New Force HQ and Single Communications Centre, Operational Training Facility and Kennelling).
- Digital Policing and Digital Transformation** – The force has a number of significant improvement schemes to deliver change and efficiency through transformation which includes considerable new investment in IT, digital infrastructure and new technologies including robotics and AI. In addition, the capital programme will deliver 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.
- 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	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Total £000
Forecast Expenditure	61,481	41,926	31,428	17,916	152,751
Financed by:					
Grants and Contributions	1,100	536	187	188	2,011
Capital Receipts	2,697	1,300	4,000	-	7,997
ESN Reserve	-	-	2,600	-	2,600
Operational Systems Reserve	1,000	-	-	-	1,000
External Funding Reserve	206	-	-	-	206
Prudential Borrowing	56,478	40,090	24,641	17,728	138,937
Total Capital Financing	61,481	41,926	31,428	17,916	152,751

8.4 Total capital expenditure over the four years is estimated at £152.751m. Capital grant funding from government was reduced to nil from the 2022/23 financial year onwards. There is no expectation

that any funding will be re-instated for future years. Capital receipts available over the MTFS period are estimated at only £7.997m and availability of earmarked reserves for capital investment is limited to the £2.600m ESN Reserve, £1.000m Operational Systems Reserve and £0.206m in the External Funding 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 available over the MTFS period include estimated sale proceeds from the planned disposal of property under the Estates strategy.
- 8.6 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 2026/27 through to 2028/29 to support the concentration of capital spend profiled in those years.
- 8.7 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 Prudential Indicators approved by the Commissioner on an annual basis and set out in the Capital Strategy 2026/27 to 2029/30.

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 2026 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	At 31	At 31	At 31	At 31
	March	March	March	March	March
	2026	2027	2028	2029	2030
	£m	£m	£m	£m	£m
General Reserves	12.4	12.4	12.4	12.4	12.4
Earmarked Reserves					
Insurance Reserve	3.0	3.0	3.0	3.0	3.0
Operational Systems Reserve	1.0	-	-	-	-
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	26.3	20.2	15.4	7.6	2.2
Pay Inflation Reserve	2.1	2.1	2.1	2.1	2.1
OPCC Innovation Reserve	0.7	0.4	0.2	0.2	0.2
External Funding Reserve	1.1	1.0	1.0	1.0	1.0
Hosted Policing Services Reserve	1.2	1.0	1.0	1.0	1.0
NEROCU Reserve	0.1	0.1	0.1	0.1	0.1
Total Earmarked Reserves	39.4	31.7	26.7	16.3	10.9
Total Revenue Reserves	51.8	44.1	39.1	28.7	23.3

General Reserve

- 9.8 The expected General Reserve at 31 March 2026 is £12.417m equating to 2.8% of the revenue budget of £437.831m for 2026/27.
- 9.9 The forecast General Reserve balance of £12.417m 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 2030 are forecast to remain at £12.417m equating to 2.6% of the net revenue budget estimate of £478.900m for 2029/30.

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. A total of £2.400m will be applied to fund capital expenditure in 2025/26.

The balance of £1.000m will be used to support Digital Policing capital expenditure in 2026/27.

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 2028/29 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 2026, as a result of the forecast underspends for 2025/26 against the Chief Constable and Capital Financing budgets. The balance on the Investment Reserve at 31 March 2026 is therefore estimated at £26.300m.

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 £24.100m has been profiled over the 4-year MTFS period through to 2028/29, leaving a small balance remaining of £2.200m.

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 £0.740m.

The Commissioner has allocated £0.300m to work being developed in respect of three projects across 2026/27 and 2027/28:

- Women's Safety in Public Places
- Female Offenders and reducing reoffending
- Hate Crime and Cohesion

In addition, the Commissioner has approved an allocation of £0.200m between the six local authorities and the transport providers to provide tapered funding to Project Shield for 2026/27.

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 £1.098m at 31 March 2026. This relates to the National Rural Crime Unit (£0.521m) and the Local Resilience Fund (LRF) (£0.577m) 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

- 9.19 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. In practice the MTFS aims to maintain the General Reserve at a prudent level of 2.6% to 2.8% over the MTFS period.
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. Sensitivity analysis carried out on pay award scenarios. Earmarked pay award reserve – would cover a higher increase of 0.5% pa for

Risk	Likelihood	Impact	Mitigation
			one year, whilst efficiencies are identified to sustain the impact.
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 investment in Neighbourhood Policing from 2025/26. In addition, the grant was 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 Northumbria – risk that the costs of implementation are increased against current estimates and timescales for delivery are further delayed.	Likely	Medium	An ESN Reserve has been created which will contribute to the financing of ESN capital 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. Sensitivity analysis has been carried out on a range of potential interest rates for new borrowing, and a contingency included in the budget to manage risk.
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.

Risk	Likelihood	Impact	Mitigation
			Sensitivity analysis has been carried out on a range of efficiency targets to inform the MTFS projections.
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 £15.00 per year for a Band D property for 2027/28 to 2029/30 which is in-line with the basic referendum limit set for 2026/27. Referendum limits over the past seven 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.	Unlikely	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 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 2.0% of budget.

II. Conclusion

- II.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 £12.417m (2.6% of revenue budget) at March 2030.

- 11.2 However, there are many unknowns within the current economic and political environment and together with a one-year settlement for 2026/27, 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 2026/27 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.