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Police, Fire & Crime Commissioner for Cumbria D Allen

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Our reference: PZ

Date 06 February 2025

CUMBRIA POLICE, FIRE & CRIME COMMISSIONER'S PUBLIC ACCOUNTABILITY CONFERENCE

The Police and Crime Commissioner's Public Accountability Conference will take place on **Thursday 13th February 2025**, at **10:00.**

The purpose of the Conference is to enable the Police, Fire and Crime Commissioner to hold the Chief Constable to account for operational performance.

If you would like to join the meeting as a member of the public or press, please contact Paula Zutic on paula.zutic@cumbria.police.uk Following the meeting papers will be uploaded on to the Commissioner's website.

G Shearer
Chief Executive

Attendees:
Police, Fire & Crime Commissioner - Mr David Allen (Chair)
OPFCC Chief Executive - Ms Gill Shearer
Chief Finance Officer - Mr Steven Tickner
Chief Constable - Mr Rob Carden

AGENDA

PART 1 – ITEMS TO BE CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC

1. APOLOGIES FOR ABSENCE

2. URGENT BUSINESS AND EXCLUSION OF PRESS AND PUBLIC
To consider (i) any urgent items of business and (ii) whether the press and public should be excluded from the Meeting during consideration of any Agenda item where there is likely disclosure of information exempt under s.100A(4) and Part I Schedule A of the Local Government Act 1972 and the public interest in not disclosing outweighs any public interest in disclosure.

3. QUESTIONS FROM THE PUBLIC
An opportunity (not exceeding 20 minutes) to deal with any questions which have been provided in writing within at least three clear working days before the meeting date to the Chief Executive.

4. DISCLOSURE OF PERSONAL INTERESTS
Attendees are invited to disclose any personal/prejudicial interest, which they may have in any of the items on the Agenda. If the personal interest is a prejudicial interest, then the individual should not participate in a discussion of the matter and must withdraw from the room unless a dispensation has previously been obtained.

5. MINUTES OF MEETING
To receive and approve the minutes of the Public Accountability Conference held on 20th January 2025.

6. FINANCIAL SUMMARY 2024/25 – QUARTER 3 TO DECEMBER 2024
To receive and note the quarter three financial summary which incorporates the Commissioner's revenue budget, Constabulary revenue budget and capital monitoring report for the period up to 31 December 2024.

7. TREASURY MANAGEMENT ACTIVITIES 2024/25 QUARTER 3 (OCTOBER TO DECEMBER 2024)
To receive & note the OPFCC Treasury Management Activities 2024/25 Report – Quarter 3 to December 2024.

8. **DECISION 001-2025 – CAPITAL STRATEGY 2025/26**
To receive, note and approve the Capital Strategy 2025/26, comprising:

A) CAPITAL STRATEGY 2025/26 (inclusive of prudential indicators 2025/26 to 2029/30.
B) CAPITAL PROGRAMME 2025/26 TO 2034/35.
C) TREASURY MANAGEMENT STRATEGY STATEMENT 2025/26 (inclusive of Investment Strategy, Borrowing Strategy, MRP Statement).

9. **DECISION 002-2025 - BUDGET AND MEDIUM-TERM FINANCIAL FORECAST 2025/2026 to 2029/2030.** To receive, note and approve the Budget and Medium-Term Financial Forecast reports:

A) LOCAL GOVERNMENT ACT 2003 REQUIREMENTS REPORT.
B) BUDGET 2025/26 AND FINANCIAL FORECASTS 2026/27 TO 2029/30.
C) RESERVES STRATEGY 2025/26.
D) CHARGING REPORT 2025/26.

CUMBRIA POLICE, FIRE & CRIME COMMISSIONER
PUBLIC ACCOUNTABILITY CONFERENCE

Minutes of the Public Accountability Conference held on
Monday 20th January 2025
at 10:00 in Conference Room 1, Carleton Hall, Penrith

PRESENT
Police, Fire & Crime Commissioner – David Allen (Chair)

Also present:
Deputy Chief Constable (Darren Martland);
Assistant Chief Constable (Jonathan Blackwell);
Assistant Chief Constable (Dave Stalker);
Director of Performance and Change (Louise Kane);
Constabulary Head of Marketing & Communications (Helen Quinn);
OPFCC Chief Executive (Gill Shearer);
OPFCC Chief Finance Officer (Steven Tickner);
OPFCC Communications & Policy manager (Matthew Suddart);
OPFCC Bluelight Collaborations Manager (Steph Stables);
OPFCC Administration Support Officer (Louisa Curran) – observing;
OPFCC Executive Support Officer (Paula Zutic) – taking minutes;

PART 1 – ITEMS CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC

001. APOLOGIES FOR ABSENCE
Apologies were received from the Chief Constable (Rob Carden);

002. QUESTIONS FROM MEMBERS OF THE PUBLIC
No questions had been received in advance of the meeting from any members of the public.

003. URGENT BUSINESS AND EXCLUSION OF THE PRESS AND PUBLIC
There were no items of urgent business to be considered by the Committee.

004. DISCLOSURE OF PERSONAL INTERESTS
There were no disclosures of any personal interest relating to any item on the Agenda.

DAVID ALLEN
CUMBRIA'S POLICE, FIRE AND CRIME COMMISSIONER

005. MINUTES

The Chair presented the minutes of the Public Accountability Conference held on the 25th October 2024 which had previously been circulated with the agenda. The minutes were agreed as an accurate record and signed by the Chair.

The Commissioner raised the issue of late papers. Going forward papers are to be sent 7 to the OPFCC working days prior to the meeting to enable the papers to be uploaded to the Commissioner's website 5 working days prior to the meeting and allow members of the public time to read the papers & ask any questions.

Outstanding actions were updated as follows:

(06) It was agreed that the Commissioner and ACC Blackwell will have a 1 to 1 briefing in relation to the detailed impact of the additional ARIS funded ANPR cameras. The meeting has been arranged for 5th February 2025.

(06) It was agreed that DCC Martland would send through a separate update to the Commissioner in relation to progress of the recruitment process to the Special Constabulary.

New action:

(05) Timeliness of papers – going forward, papers are to be sent to the OPFCC seven working days prior to the meeting date.

RESOLVED, that, the

(i) Minutes of the Public Accountability Conference held on the 25th October 2024 be confirmed as a correct record and signed by the Chair; and

(ii) Going forward papers are to be sent to the OPFCC 7 days prior to the meeting date;

DAVID ALLEN
CUMBRIA'S POLICE, FIRE AND CRIME COMMISSIONER

006. POLICING PERFORMANCE WITH A THEMATIC ON DOMESTIC ABUSE

The presentation was given by the Director of Performance and Change, who provided a high-level overview of the slides.

<u>999 call performance</u>
After a reduction in May, performance has recovered towards the back end of the year. The Constabulary are consistently answering 999 calls above target this financial year, with 94.7% of all 999 calls answered within 10 seconds. The lowest single month being May 24 of 93.3% and a peak in April 24 of 96.1%. The median time of a 999 call being queued to being answered is 2 seconds.

During the previous FY23/24, on average 94.66% of calls were answered within 10 seconds, with the lowest single month being 92.4% and a peak in January of 96.5%.

It was noted that the Constabulary are exceeding the national target for 999 calls. Tech changes and the BT call lag provide the rationale for the movement within the rankings. Cumbria are part of a consortium group looking at tech solutions in relation to the BT call lag (which equates to 5 seconds).

ACC Blackwell provided assurance that the Constabulary remain focussed on both 999 and 101 calls.

The Commissioner is keen that the Constabulary don't strive for increased performance at the expense of quality, whilst they are comfortably meeting the national target.

ACTION:
- The Assistant Chief Constable to provide a verbal update on the work of the consortium group looking into the BT call lag. This is to be provided at the April PAC meeting.

<u>101 call performance</u>
Current financial year to date 96.1% of calls were answered in less than 5 minutes, this is consistent with performance in the 23/24 which was 96.3%. Abandonment rate is at 4.8% in the same period, also consistent with performance in 23/24 which was 4.6%.

This financial year to date the median time of a 101 call being queued to being answered is 3 seconds. The median time of a 101 call being abandoned is 54 seconds. These figures are the same as during 23/24.

The Commissioner noted the Constabulary's performance has remained consistently high in this area for quite some time (for example in the last 2 years the call abandonment rate has reduced from 25% down to 4.8%). Having more channels of communication open gives a better service to the public. Again the Commissioner is keen that the Constabulary do not pursue performance over quality as they are already achieving the target.

Incident Response (Grade 1 & 2)

While there is no national or most similar group (MSG) data to compare, it is noted that the Constabulary have seen an improvement on the previous year.

The Commissioner made the same point as previously around quality, as the Constabulary are hitting the target. Once they arrive on scene Officers need to have the time to deal with the incident.

ACC Blackwell advised that the Right Care Right Person evaluation will look at the detail.

DCC Martland provided assurance that Officers are given the protected time required to deal with incidents and ask the correct questions such as safeguarding and domestic abuse cases etc.

Main Crime Type Breakdown

There has been a slight increase of just over 5% in all crime with a 20.24% positive outcome rate.

There have been 91 less crimes against the community

Shoplifting – all forces nationally have seen an increase, Cumbria has one of the lowest increases nationally. Influenced by cost of living, more food now being stolen. Our positive outcome rate has increased for shoplifting, despite the increase in volume.

- Cyber Crime has increased by 63.4%
- Offences involving knives or sharp weapons have reduced by 24.2%
- Offences involving firearm use have reduced by 10.7%
- Neighbourhood Crime has reduced by 6.3%
- Homicide has increased by 100% (very low numbers hence large percentage increase) *
- Violence with injury has remained at the same level

*There were four homicides in 2023/24. The four this financial year were all from one RTC.

The Constabulary are looking at some technological cloud-based solutions to deal with demand and are always upskilling the workforce to drive progress in the future.

Victim satisfaction levels for whole experience have decreased by 3.2pp between financial years 23/24 and current financial year to date24/25, from 82.9% to 79.7%, All satisfaction levels have increased in financial year to date 24/25 against the financial year 22/23 but slightly decreased compared to 23/24.

Progress updates is the aspect of service that remains at the lowest satisfaction levels across all financial years. It has decreased by 4.3pp from 72.5% in financial year 23/24.

ACTION:
Further work is to be undertaken to understand the decline in victim progress updates. This will be carried out by the Vulnerability Board.

Domestic Abuse
The Commissioner asked how confident the Constabulary are that victims of Domestic Abuse are being listened to?
ACC Stalker assured the Commissioner that a Domestic Abuse review has been carried out to so a deep dive in this area.

In December 2024, domestic abuse flagged incidents increased by 62 incidents from the previous month, accounting for 9.8% of all incidents reported in December, its highest figure over the financial year to date and financial year 23/24.

When comparing the volumes of Domestic Abuse flagged incidents in the financial year to date 24/25, they have increased. In the financial year to date 24/25 there have been 6,217 occurrences which is a 7.3% increase from last year.

The Christmas period saw an increase in incidents with 30% of all incidents over that period being domestic abuse related. 215 incidents were reported vs 203 incidents last year.

Operation Festive and a number of other initiatives specifically focussed on this area over the Christmas period.

The most significant area of increase has been violence against the person which links to stalking and harassment and violence without injury which links to cyber-crime.

Speed and response is key to secure evidence and get a charge. Any cases that are NFAd (no further action) are approved by an Inspector.

The Constabulary have a good relationship with CPS and Victim Support.

The Constabulary and Commissioner have written to CPS in relation to a proposed reduction in Court time. If the Constabulary start to see an adverse effect the Commissioner is happy to raise this again. DCC Martland will be keeping a close eye on it.

20% of all repeat victims are domestic abuse related.
20% of all repeat perpetrators are domestic abuse related.

A huge amount of work in on-going in relation to stalking and harassment, the Constabulary are not complacent.

The Constabulary are currently doing a piece of work focussing on rape and other sexual offences. The work will include offences and why some victims are declining to support prosecutions.

The findings of the Group will be taken to CJB to escalate to key partners within Safer Cumbria.

ACTION:

- An update on the work being carried out around rape and other sexual offences will be brought to the next PAC meeting in April.
- The findings of the work will be taken to CJB to escalate to key partners within Safer Cumbria.

In the current year to date there have been 124 MARAC cases, which is a 9.3% increase from last year. One third of these are repeat cases (there is some fluctuation).

The Commissioner asked if the Constabulary are seeing repeat cases is the MARAC process working? There are various reasons for repeat cases, for example an individual could be sent to prison and then offend again once they are released.

In Cumbria there were 57 DVPNs and 49 DVPOs in the financial year 23/24 with 32 breaches. In the financial year to date there have been 58 DVPNs and 48 DVPOs with 25 breaches.

This is a 61% increase and is a really good news story as it allows victims to stay in their own home.

The figures are split between the two BCU's as follows:-

- Cumberland 71%
- WAF 29%

The reasons behind the BCU imbalance will be looked at further to ensure any training needs etc. are addressed.

ACTION:

- Media and Comms team to do a good news story to highlight the 61% increase in DVPN.
- The reasons behind the BCU imbalance in respect of DVPN and DVPOs will be looked at further to ensure any training needs etc. are addressed.

Pathways is an out of course disposal available to the Constabulary and commissioned by the OPFCC. Pathways has seen referrals increasing year on year over the last 3 years. The Constabulary get a lot of value out of the Pathways programme and from CL sitting on the Vulnerability Board. The Commissioner would like to see a lot more done with Pathways.

Following a discussion, the report was noted.

RESOLVED, that

(i) The report be noted;

007. DRUGS and SERIOUS ORGANISED CRIME

The presentation was given by the Director of Performance and Change.

The number of offences are higher than in the same period last year (1300 compared to 1104).

Supply and possession of cannabis is the highest type, followed by cocaine. There is no national data available for comparison figures.

Possession during daylight hours are predominantly linked to urban areas. Low numbers at school / university.

Disposable income is a factor in drug possession offences and is highest in non-deprived areas.

Drug driving offences are consistently higher than drink driving. This also includes 'in charge' and 'unfit' offences.

The Constabulary see year-round activity in this area with a spike over the Christmas period.

ACTION:
- The Comms & Media Team are to do a story in relation to how many drug/drink driving arrests and how many people lost their licence over the Christmas period.

1Click visits to vulnerable people is a good news story with an increasing trend in the number of visits.

1Click is funded through Serious Violence funding that is due to end in March 2025. This is picked up through the Commissioning Group.

ACTION:
- The Commissioner asked for more detail around the impact of 1Click. The Constabulary are to evaluate this and provide some more data around it.

Firearms Licencing

A Firearms Licencing update was given by ACC Blackwell.

The Constabulary are consistently meeting the SLA agreed timescales of 12 weeks for Grants and 8 weeks for Renewals.

The average wait time for a grant or renewal has decreased significantly over the past three years, in 2024 due to the work of Operation Logic, the average was just over 5 weeks (38 days)

As of 13th January 2025 compliance remains strong, a single case is currently outside the SLA due to certificate holder availability. He is scheduled to be visited 15/01/20025, his actual certificate expires in April 2025

The Commissioner wants to ensure that performance is sustainable into 2025/26.

A predicted spike in 2029 will be managed and some renewal dates will be brought forward accordingly.

ACTION:
The Comms & Media Team are to do a press release around the improved performance of the Firearms Licencing Unit.

Following a discussion, the report was noted.

RESOLVED, that

(i) The report be noted;

Meeting concluded

Signed: ______________________________ **Date:** ________________________________

Police Public Accountability Conference
OPEN ACTION LOG

Date of meeting	Action Number	Minute Number / Topic	Action to be taken	Lead Person/s	Report back to Board	Update	Review Date	Date Action Closed
25/10/2024	006	Policing Performance and Outcomes for Victims	DCC Martland to send through a separate update to the Commissioner in relation to progress of the recruitment process to the Special Constabulary	DCC Martland	Yes			
20/01/2025	005	Minutes	Going forward, PAC papers are to be sent to the OPFCC seven working days prior to the meeting date.	DCC Martland				
20/01/2025	006	Policing Performance with a Thematic on Domestic Abuse	Assitant Chief Constable to provide a verbal update on the work of the consortium group looking into the BT call lag. To be provided at the April PAC meeting	DCC Martland				
20/01/2025	006	Policing Performance with a Thematic on Domestic Abuse	Further work is to be undertaken to understand the decline in victim progress updates. This will be carried out by the Vulnerability Board (CL also attends so feed data into her).	ACC Stalker				
21/01/2025	006	Policing Performance with a Thematic on Domestic Abuse	An update on the work being carried out around rape and other sexual offences will be brought to the next meeting.	ACC Stalker				
21/01/2025	006	Policing Performance with a Thematic on Domestic Abuse	The findings of the work being carried out around rape and other sexual offences will be taken to CJB to escalate to key partners within Safer Cumbria.	ACC Stalker				
21/01/2025	006	Policing Performance with a Thematic on Domestic Abuse	Media and Comms Team to do a good news story to highlight the 61% increase in DVPN.	DCC Martland				
21/01/2025	006	Policing Performance with a Thematic on Domestic Abuse	The reasons behind the BCU imbalance in respect of DVPN and DVPOs will be looked at further to ensure any training needs are addressed.	DCC Martland				
21/01/2025	007	Drugs and Serious Organised Crime	The Comms & Media Team are to do a story in relation to how many drug/drink driving arrests and how many people lost their licence over the Christmas period.	DCC Martland				
21/01/2025	007	Drugs and Serious Organised Crime	The Commissioner asked for more detail around the impact of 1Click. The Constabulary are to evaluate this and provide some more data around it.	DCC Martland				
21/01/2025	008	Firearms Licencing	The Comms & Media Team are to do a press release around the improved performance of the Firearms Licencing Unit.	DCC Martland				

DAVID ALLEN
CUMBRIA'S POLICE, FIRE AND CRIME COMMISSIONER

Report to: Public Accountability Conference 13 February 2025
Police, Fire and Crime Panel 4 April 2025

Group Revenue Budget

Underspend £396k (0.46%)

Increased Expenditure +£213k (0.12%),

Increased Income -£609k (0.34%)

See page 2

PFCC Revenue Budget

Underspend £2k (0.01%)

Increased Expenditure £36k (0.24%),

Increased Income -£38k (0.02%)

See page 2

Constabulary Revenue Budget

Underspend £394k (0.25%)

Increased Expenditure £177k (0.11%),

Increased Income -£571k (7.5%)

See page 3

Capital Budget

Budget / Forecast £6,454k / £6,413k

Expenditure at Qtr3 is £2,456k

Profiling to future years £80k

Net Budget changes to note (£39k)

Treasury Management

Investment balance 31/12/24 £16.12m.

(Down 32.81% from £23.992m at 30/09/24).

PFCC Revenue budget 2024/25 as at Quarter 3 to 31st December 2024

Description	Revised Budget 2024/25 £'000s	Forecast Expenditure / (Income 2024/25 £'000s	Forecast (Under)/ Overspend 2024/25 £'000s	Forecast (Under)/ Overspend 2024/25 %	Projected (Under)/ Overspend @ Sep-24 £'000s	Change in Forecast Sep-24 to 31st Dec 2024 £'000s
Office of the Police, Fire and Crime Commissioner	1,184	1,175	(9)	(0.76%)	(123)	114
Other OPFCC Budgets	(25,023)	(25,016)	7	(0.03%)	(112)	119
Movements To / (From) Reserves	(938)	(938)	0	0.00%	0	0
Total OPCC Budgets	**(24,777)**	**(24,779)**	**(2)**	**0.01%**	**(235)**	**233**
Funding Provided to the Constabulary	157,546	157,152	(394)	(0.25%)	(8)	(386)
Net Expenditure	**132,769**	**132,373**	**(396)**	**(0.30%)**	**(243)**	**(153)**
External Funding	(132,769)	(132,769)	0	0.00%	0	0
Total	**0**	**(396)**	**(396)**		**(243)**	**(153)**

Expenditure & Income Variances

Office of the PFCC -£9k the underspend is largely as a result of efficiency savings identified in the year (£5k), reductions in supplies and services related spend of (£2.5k) and underspends on staff pay of (£1.5k).

Other OPFCC Budgets +£7k in relation to the other OPFCC budgets, of the overspend (£85k) relates to increased capital financing MRP costs, reduced Grants (£29k) relating to the PFI grant, increased insurances (£13k) following renewal, offset to a degree by reduced estates utility costs (£53k) and increased increased interest / investment income (£67k).

Funding Provided to the Constabulary -£394k In relation to the Constabulary the forecast underspend of £394k is largely as a result of increased income -£571k, offset to a degree by increased expenditure of £177k.

Further details in relation to the Constabulary budget position are included on the following page.

Constabulary – Revenue Budget 2024/25

Description	Revised Budget 2024/25 £'000s	Provisional Outturn 2024/25 £'000s	Provisional (Under)/ Overspend 2024/25 £'000s	Provisional (Under)/ Overspend 2024/25 %	Forecast (Under)/ Overspend @ Sep-24 £'000s	Change from Sep-24 to 31st Dec 2024 £'000s
Constabulary Funding						
Police Officers	110,397	110,369	(28)	-0.03%	605	(633)
Police Community Support Officers	1,742	1,610	(132)	-7.58%	(369)	237
Police Staff	29,596	29,543	(53)	-0.18%	(152)	99
Other Employee Budgets	2,459	2,384	(75)	-3.05%	(19)	(56)
Transport Related Expenditure	2,707	2,990	283	10.45%	261	22
Supplies & Services	13,004	13,012	8	0.06%	(221)	229
Third Party Related Expenses	5,250	5,424	174	3.31%	209	(35)
Total Constabulary Funding	**165,155**	**165,332**	**177**	**0.11%**	**314**	**(137)**
Income	(7,609)	(8,180)	(571)	7.50%	(322)	(249)
Total Constabulary Funding Net of Income	**157,546**	**157,152**	**(394)**	**-0.25%**	**(8)**	**(386)**

Key Themes:

- PCSO pay (-£132k) mainly due to the number of vacancies forecast over the year.
- Transport Related Expenditure (+£283k) largely due to increased vehicle repairs & maintenance costs £299k (which includes £134k accident damage).
- Income (-£571k) largely due to increased insurance income (-£152k), vehicle recovery income (-£87k), Op Cobb income (-£84k), and increased income from sale of vehicles (-£49k).

Risks

The current forecast includes police uplift ringfenced grant of £3.6m, this is however contingent on achieving a 1,385 headcount by 30/09/24 and 31/03/25, and additional ‘target 2’ grant of £384k contingent on achieving 1,393 headcount by both dates. The PFCC/Constabulary will suffer a reduction in grant if these targets are not met. The headcount target was met for the 30th September checkpoint date and the associated grant returns have been submitted.

The Police, Fire and Crime Commissioner for Cumbria

Treasury Management Activities 2024/25 for the period

01 October 2024 to 31 December 2024

Executive Board - Police 11/02/2025, Public Accountability Conference 13/02/2025 and Joint Audit Committee 26/03/2025

Cash flow Balances

Quarter 3 average daily balance - £26.56m

Investment balance @ 31/12/24 £16.117m

Investment Strategy

There have been no breaches in the approved limits to report during the reporting period.

Category	Category Limit (£m)	Investments at 31 Dec (£m)	Compliance with Limit
1 - Banks Unsecured	20	9.917	Yes
2 - Banks Secured	20	0.000	Yes
3 - Government (inc LA)	10	3.000	Yes
4 - Registered Providers	10	0.000	Yes
5 - Pooled Funds	15	3.200	Yes
Total		**16.117**	

Borrowing Strategy

As a result of inflationary pressures on the budget, the decision was taken to reduce revenue contributions to capital by £3m p.a. and to replace this with borrowing as a means of balancing the revenue budget. However, it is anticipated that in 2024/25 borrowing will not become necessary.

Investment Interest Forecast

Base Budget - £0.400m

Revised Budget - £1.076m

Current Estimate - £1.144m

Performance Indicators

Quarter 3	Number of Days	Average Balance £	Largest Balance £
Days In Credit	92	141,035	6,504,482
Days Overdrawn	0	0	0

Average interest rate earned – 5.05%

Average bank base rate – 5.03%

(Current bank base rate – 4.75%)

Treasury and Prudential Indicators

During the period 01 October 2024 to 31 December 2024, the treasury function has operated within the treasury and prudential indicators set out in the Treasury Management Strategy Statement and in compliance with the Treasury Management Practices. Compliance with the indicators are shown on page 3.

Economic Outlook and Treasury position for the quarter ended 31 December 2024

Base Rate Estimates	2024/25	2025/26	2026/27
Quarter 1	5.25%	4.50%	3.75%
Quarter 2	5.25%	4.25%	3.75%
Quarter 3	4.75%	4.00%	3.75%
Quarter 4	4.75%	4.00%	3.50%

Quarter 3 of 2024 saw GDP fall by 0.1% month on month in October with a 0.1% month on month rebound in November, the economy has a bit less momentum than most economists previously thought and therefore a real risk remains to the economy contracting in Quarter 4 as a whole. UK CPI fell from 2.6% in November to 2.5% for December, both services and core inflation are currently at rates above those with the 2.0% target and are generally moving in the wrong direction. Capital Economics are forecasting that CPI inflation will rebound in January, perhaps to almost 3.0% and that inflation will remain higher for the first half of 2025.

The latest forecast sets out a view that both short and long-dated interest rates will start to fall once it is evident that the Bank of England has been successful in squeezing excess inflation out of the economy, despite a backdrop of stubborn inflationary factors and a tight labour market. The Bank of England cut interest rates from 5.0% to 4.75% in November and held them steady in December, with two members preferring to reduce the rate by 0.25%. The Committee continues to consider a range of cases for how the past global shocks that drove up inflation may unwind, and therefore how persistent domestic inflationary pressures may be.

Borrowing position for the quarter ended 31 December 2024

At 31st December 2024 there were no loans outstanding.

Investments in place on 31 December 2024

Category/Institution	Credit Rating	Investment Date	Investment Matures	Rate (%)	Counterparty Total (£)
Category 1 - Banks Unsecured (Includes Banks & Building Societies)					
Lloyds Bank	A+	01/04/2024	On Demand	4.62%	1,906,830
Link Treasury - SMBC Bank	A+	03/07/2024	03/01/2025	5.160%	2,000,000
Link Treasury - National Bank of Kuwait	A+	03/07/2024	04/04/2025	5.260%	2,000,000
Link Treasury - Goldman Sachs	A+	03/07/2024	28/02/2025	5.130%	2,000,000
Nationwide	A+	03/07/2024	21/03/2025	4.880%	2,000,000
NatWest (Liquidity Select Acc)	A+	01/04/2024	On Demand	1.356%	10,000
					9,916,830
Category 2 - Banks Secured (Includes Banks & Building Societies)					
None					
					0
Category 3 - Government (Includes HM Treasury and Other LA's)					
DMO		06/12/2024	13/01/2024	4.700%	3,000,000
					3,000,000
Category 4 - Registered Providers (Includes Providers of Social Housing)					
None					0
					0
Category 5 - Pooled Funds (Includes AAA rated Money Market Funds)					
Invesco	AAA	Various	On demand	4.750%	916,500
BlackRock	AAA	Various	On demand	4.680%	94,500
Fidelity	AAA	Various	On demand	4.760%	907,000
Goldman Sachs	AAA	Various	On demand	4.650%	251,750
Aberdeen Standard	AAA	Various	On demand	4.770%	1,030,000
					3,199,750
Total					**16,116,580**

At the end of December funds invested were £16.117m. The breakdown is: 19% held in money markets funds, 50% in bank deposits, 19% in government accounts and 12% in call accounts. Quarter 3 sees the start of the decline in investments, due to the timing of the Home Office Police Pension Grant, this is paid largely in advance and drawn down as police pensions are paid monthly throughout the year. As the funds held decline liquidity is monitored to ensure funds are available when needed.

The pension grant for 2024/25 of £16.520m was received on 3rd July 2024 and when the Home Office grant for July was received investments reached their highest level of £35.037m.

During June the treasury department commenced using Link Treasury Services (LTS), a branch of our current treasury advisors, to expand the available options for investments. LTS invest term cash, which is held within the LTS Pooled Trust Account, the funds are clearly and separately identified by LTS records. This has enabled the first sustainable deposit to be placed with Standard Chartered Bank, whereby there is an underlying commitment to support activities that provide sustainable & environmentally friendly services & products.

Treasury and Prudential Indicators 2024/25 at 31 December 2024

Treasury Management Indicators		Result	RAG
The Authorised Limit *The authorised limit represents an upper limit of external borrowing that could be afforded in the short term but may not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is a statutory limit under section3(1) of the Local Government Act 2003.*	**TEST - Is current external borrowing within the approved limit**	**YES**	Green
The Operational Boundary *The operational boundary represents and estimate of the most likely but not worse case scenario it is only a guide and may be breached temporarily due to variations in cash flow.*	**TEST - Is current external borrowing within the approved limit**	**YES**	Green
Actual External Debt *It is unlikely that the Commissioner will actually exercise external borrowing until there is a change in the present structure of investment rates compared to the costs of borrowing.*	**TEST - Is the external debt within the Authorised limit and operational boundry**	**YES**	Green
Gross and Net Debt *The purpose of this indicator is to highlight a situation where the Commissioner is planning to borrow in advance of need.*	**TEST - Is the PFCC planning to borrow in advance of need**	**NO**	Green
Maturity Structure of Borrowing *The indicator is designed to exercise control over the Commissioner having large concentrations of fixed rate debt needing to be repaid at any one time.*	**TEST - Does the PFCC have large amounts of fixed rate debt requiring repayment at any one time**	**NO**	Green
Upper Limit for total principal sums invested for over 365 Days *The purpose of this indicator is to ensure that the Commissioner has protected himself against the risk of loss arising from the need to seek early redemption of principal sums invested.*	**TEST - Is the value of long term investments witin the approved limit**	**YES**	Green

Prudential indicators		Result	RAG
Ratio of Financing Costs to Net Revenue Stream *This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of revenue budget required to meet financing costs.*	**TEST - Is the ratio of captial expenditure funded by revenue within planned limits**	**YES**	Green
Net Borrowing and the Capital Financing Requirement *This indicator is to ensure that net borrowing will only be for capital purposes. The Commissioner should ensure that the net external borrowing does not exceed the total CFR requirement from the preceding year plus any additional borrowing for the next 2 years.*	**TEST - Is net debt less than the capital financing requirement**	**YES**	Green
Capital Expenditure and Capital financing *The original and current forecasts of capital expenditure and the amount of capital expenditure to be funded by prudential borrowing for 2024/25.*	**TEST - Is the current capital outurn within planned limits**	**YES**	Green
Capital Financing Requirement *The CFR is a measure of the extent to which the Commissioner needs to borrow to support capital expenditure only. It should be noted that at present all borrowing has been met internally.*	**TEST - Is the capital financing requirment within planned limits**	**YES**	Green

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that regular reports are presented with regards to treasury management activities. This quarterly report ensures the Police, Fire and Crime Commissioner is implementing best practice in accordance with the Code.

Request for a Police, Fire & Crime Commissioner Decision

SECTION 1

Please identify who is requesting the decision:			
OPFCC Decision	**Y**	**Decision Number:**	**PF 001/2025**
CCFRA Decision	**N**	**Decision Number:**	**CF xxxx/yyyy**
Constabulary Decision	**Y**	**Decision Number:**	**CC xxxx/yyyy**

(Please indicate whether this is a PART 1 or PART 2 decision (For Part 2 decisions, only the Section 1 is to be published)

PART 1 Decision:	✓	**PART 2 Decision:**	

DECISION TITLE: Approval of the Capital Strategy, Capital Programme, Treasury Management Strategy and Treasury Management Practices 2025/26

Executive Summary:

The purpose of this report is to provide information on the proposed capital strategy for 2025/26. The capital strategy (item 08a) is an overarching strategy that sits above the two documents which have been produced historically namely the capital programme (item 08b) and the treasury management strategy statement (item 08c). The capital strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability. The capital programme is developed in consultation with the Constabulary who are the primary user of the capital assets under the ownership of the Commissioner.

Local Authorities (including the Police, Fire and Crime Commissioner) determine their own programmes for capital investment in non-current (fixed) assets that are essential to the delivery of quality public services.

The Commissioner is required by regulation to have regard to The Prudential Code when carrying out his duties in England and Wales under part 1 of the Local Government Act 2003. The Prudential Code establishes a framework to support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure: "within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable".

In the past, to meet these requirements, all schemes within the 5-year medium term capital programme are only approved on the basis that they are fully funded either through capital grants, capital reserves, capital receipts, revenue contributions or borrowing. The proposed programme meets this test only with the planned increased use of borrowing.

The estimates for 5-10 years are however built on a number of assumptions, which, particularly in rapidly changing sectors such as ICT, are difficult to accurately predict. This means that projected costs in the later years of the capital programme become increasingly indicative and should be treated with caution.

Recommendation:

The Commissioner is asked to:

1.1. **Capital Strategy (Item 08a)** – The Commissioner is asked to

- Approve the capital strategy including the prudential indicators set out in the report.

1.2. **Capital Programme (Item 08b)** - The Commissioner is asked to:

- Approve the capital programme for 2025/26 and beyond as part of the overall budget process for 2025/26.
- To approve the status of capital projects (as detailed in appendices 2 to 5)

1.3. **Treasury Management Strategy (Item 08c)** - The Commissioner is asked to:

- Approve the Borrowing Strategy for 2025/26 as set out on pages 8-9
- Approve the Investment Strategy for 2025/26 as set out on pages 10-13
- Approve the Treasury Management Prudential Indicators as set out on pages 15-16
- Approve the other Prudential Indicators set out on pages 17 to 21
- Approve the Minimum Revenue Provision Policy Statement for 2025/26 as set out on page 22
- Delegate to the OPFCC Chief Finance Officer any non-material amendments arising from scrutiny of the strategy by the Joint Audit Committee.
- Note that the detailed Treasury Management Practices (TMPs) are currently being reviewed and updated as required by the Code of Practice and will be published alongside the TMSS on the Commissioner's website. The updated TMPs will be provided at the Joint Audit Committee in March 2025.

Police, Fire & Crime Commissioner

I confirm that I have considered whether or not I have any personal or prejudicial in this matter and take the proposed decision in compliance with the Code of Conduct for Cumbria Police, Fire & Crime Commissioner. Any such interests are recorded below.

I hereby:	approve	the recommendations as set out above.
	do not approve	

Delete as appropriate:

Police, Fire & Crime Commissioner / Chief Executive (delete as appropriate)

Signature: **Date:**

For OPFCC Office Use only:

Date of publication of decision:	

Each section below must be completed prior to submission to the Commissioner for decision.

ORIGINATING OFFICER DECLARATION:

I confirm that this report has been considered by the Chief Officer Group / OPFCC Executive Team / CCFRA Executive Team and that relevant financial, legal and equalities advice has been taken into account in the preparation of this report. **Signed:** **Date:**

CHIEF OFFICER APPROVAL (where applicable)

Chief Constable / Chief Fire Officer (delete as appropriate) I have been consulted about the proposal and confirm that I am satisfied that this is an appropriate request to be submitted to the Police, Fire and Crime Commissioner. **Signature:** **Date:**

OPFCC CHIEF OFFICER APPROVAL

Chief Executive (Monitoring Officer) / Chief Finance Officer (Deputy Chief Executive) (delete as appropriate) I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Police, Fire and Crime Commissioner / Chief Executive (delete as appropriate). **Signature:** **Date:**

Media Strategy The decision taken by the Police, Fire & Crime Commissioner may require a press announcement or media strategy.	
Will a press release be required following the decision being considered?	YES / NO
If yes, has a media strategy been formulated?	YES / NO
Is the media strategy attached?	YES / NO
What is the proposed date of the press release:	

Public Access to Information Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the PFCC website within 5 working days of approval. Any facts/advice/recommendations that should not be made automatically available on request should not be included in Part 1 but instead in the Part 2 section of the form. Deferment is only applicable where release before that date would not compromise the implementation of the decision being approved.	
Is the publication of this form to be deferred?	YES / NO
Until what date (if known):	
If yes, for what reason:	
If this is a **Part 2 Decision,** has the Part 2 element of this form been completed	YES / NO

Office of the Police, Fire and Crime Commissioner Report

Public Accountability Conference 13 February 2025

Title: Capital Strategy 2025/26

Agenda Item 08a
Report of the Constabulary Chief Finance Officer and PFCC Chief Finance Officer

Originating Officers: Lorraine Holme, Group Accountant

1. Purpose of the Report

1.1. This capital strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

1.2. The aim of this report is to provide enough detail to allow non-financial decision makers to understand how stewardship, value for money, prudence, sustainability and affordability will be secured without repeating in detail the information that is contained in other documents presented as part of this suite of capital and treasury management reports (agenda items 08b & 08c).

1.3. These reports meet the reporting requirements of the Charted Institute of Public Finance and Accounting (CIPFA) Prudential Code for capital finance in Local Authorities 2021 updated guidance.

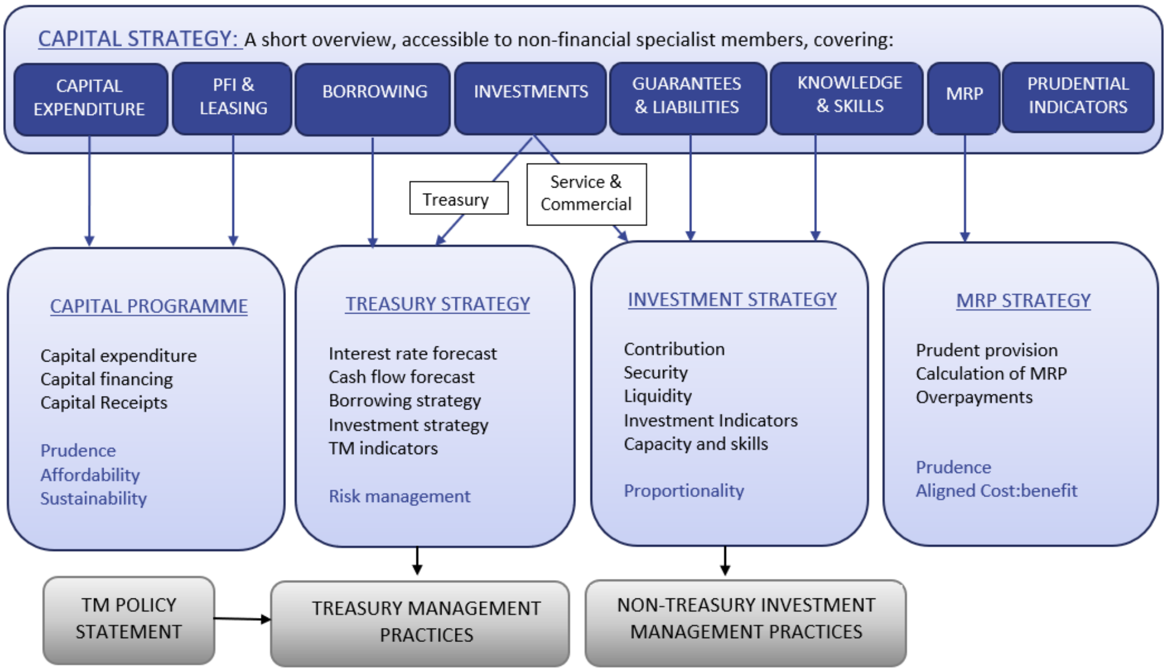
3. Recommendation

3.1. The Commissioner is asked to approve the contents of the report.

4. Introduction

4.1. The CIPFA Prudential Code (the code) and guidance notes were originally issued in 2002 and were later fully revised in 2009, 2011, 2017 and again in 2021. This code requires the Commissioner to look at capital expenditure and investment plans in light of the overall strategy and resources and ensure that the decisions are being made with sufficient regard to the long run implications and potential risks to the Commissioner.

4.2. This capital strategy report summarises the purpose and governance over a range of activities associated with capital investment and financing, which are reported on in detail elsewhere on this agenda item. The diagram below provides an overview of the scope of these activities, their inter-dependencies and reporting structures:



*The MRP Statement, Investment Strategy and the Prudential Indicators of the Commissioner are encompassed into the Treasury Management Strategy.

5. Capital Expenditure and Financing

5.1. Capital expenditure is the term used to describe expenditure on assets, such as property, vehicles and Digital Data and Technology (DDaT) equipment, that will be used (or have a life) of more than 1 year. There is some limited discretion on what is to be treated as capital expenditure and assets costing less than £25k will be charged to the revenue account in accordance with the Financial Rules and Regulations (this is known as the deminimis level).

5.2. Capital expenditure plans are under-pinned by asset strategies, which are developed by respective service leads linked to delivery of the Commissioner's Police, Fire and Crime Plan and the Chief Constable's Vision (the 4 C's). The principal asset strategies and their objectives are:

- The Digital, Data and Technology Strategy (DDaT), which has six key themes
    - Actively supporting the delivery of the Constabulary Vision and Target Operating Model
    - On-going provision of reliable and trusted DDaT services.
    - A cost effective and affordable DDaT enabling services
    - To implement national DDaT projects
    - To meet local demand to renew and replace Core Systems and Applications
    - Collaboration and Partnership
- The Estates Strategy, which aims to maintain an Estate which is fit for purpose whilst reducing overhead expenditure and maximising and exploiting existing assets.
- The Fleet Strategy, which aims to satisfy the Constabulary's vehicle needs within a sustainable financial model.

5.3. A workplan is developed annually to support delivery of each strategy. The updated financial implications are distilled early in the financial planning process and subsequently consolidated to produce a ten-year capital programme. The overall capital programme is then subject to a process of financial scrutiny in the context of both available capital funding resources and the overall revenue budget position. The final capital programme and associated asset strategies are subject to approval by both the Constabulary Chief Officer Group and the Commissioner at his Public Accountability Conference.

5.4. The capital expenditure estimates for the current year and medium term are shown below:

Capital Expenditure	2023/24 Actual £m	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Capital Expenditure	4.061	6.175	4.885	5.972	5.102

5.5. The profile of capital expenditure fluctuates annually. Across the current five-year programme, annual average expenditure typically comprises £2.016m to replace fleet vehicles, £0.892m on estate schemes (although by their nature these investments tend to be more lumpy) and around £2.594m for replacement of DDaT systems and equipment.

5.6. The 2025/26 capital programme includes DDaT expenditure on development and roll out of mobile technology and smartphones, consideration of options for DDaT infrastructure and a move to more cloud based systems. In addition, preparatory work on the national programme to replace the Police Radio System (Airwave) with an Emergency Services Network (ESN) will continue, in advance of significant expenditure to implement the system in future years. Investment in the on-going replacement of vehicles in accordance with the Fleet Strategy will continue. Expenditure on Estates schemes over the 5 years is dominated by the need to evaluate options to provide a Basic Command Unit (BCU) Deployment Centre in the west of the County upon the expiry of the existing PFI arrangement in 2026.

5.7. In accordance with Financial Regulations B3 – Capital Programme, capital projects are split into three categories, Indicative, Delegated and Firm as outlined below. All schemes will begin as indicative when the medium term financial plan is approved and the Commissioner will indicate which schemes are to be subject to further reports to proceed to procurement in the MTFF.

- **Indicative** – Where a scheme requires a full detailed business case to be submitted to the Commissioner for formal approval. All schemes requiring a business case are presented to COG, followed by Executive Board – Police prior to proceeding. The information requirements for schemes will be subject to Constabulary CFO approval in consultation with the OPFCC CFO.
- **Delegated** – where a scheme is approved in principle but there are fine details with regard to procurement and costs that have been delegated to the Constabulary CFO, in consultation with the OPFCC CFO, for final approval. Constabulary CFO delegations are

limited to the financial amounts included for the scheme within the capital programme plus a variance of up to 10% or £100,000 whichever is the lower. The Constabulary CFO in consultation with the OPFCC CFO, may vire from capital reserves to fund any balance for the scheme within the delegated limit.

- **Firm** - where a firm scheme is approved, procurement can commence without delay. They will typically relate to cyclical replacement programmes and maintenance works. They will either be supported by the relevant capital strategy or a business case, at or before the approval of the capital programme.

No capital expenditure shall be incurred unless the specific scheme is included in the capital programme approved by the PFCC or as subsequently modified.

5.8. The capital programme must be financed from a combination of capital grants, capital receipts, reserves, direct support from the revenue budget and, unlike the revenue budget, borrowing is permitted. Whilst it is a statutory requirement that the Commissioner agrees a balanced revenue budget, the Prudential Code requires the capital programme to be demonstrated as 'Affordable, Prudent and Sustainable'', it is up to each authority how it determines these criteria. Cumbria has previously defined an 'Affordable, Prudent and Sustainable' programme as being fully funded (from the sources outlined above) for the medium term financial forecast (MTFF) period of 5 years. The estimates for 5-10 years are built on a number of assumptions, which, particularly in rapidly changing sectors such as DDaT, are difficult to accurately predict. This means that projected costs in the later years of the capital programme become increasingly indicative and should be treated with caution. As the capital programme is fully funded over ten years, it meets the test of being Affordable, Prudent and Sustainable. The revenue budget and MTFF must also fully reflect any revenue implications of the capital programme including servicing costs of borrowing.

5.9. The difficulty facing Cumbria is that capital grants have been reduced to zero, the potential to generate future capital receipts is low and capital reserves are mainly utilised in 2024/25. This means that the only viable options in future to fund capital expenditure are directly from the revenue budget or through borrowing, which itself has implications for the revenue budget. The challenge for the PFCC and Constabulary will be the need to find an appropriate balance between capital and revenue expenditure, which is sustainable.

5.10. In the context of requiring significant revenue savings to balance the revenue budget in 2024/25 and beyond primarily due to increased inflation, the decision has been taken reduce the revenue budget support to the capital programme to around £0.400m per annum with the balance being financed through an increased use of borrowing requirement that will be repaid over the life of assets bought. The revenue effects of borrowing decisions have been reflected in the MTFF.

5.11. When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debts. Capital financing assumes that all capital receipts will be used to finance new assets rather than reduce existing debt.

5.12. Full details of the 10 year programme and associated financing can be found in the separate report 'Capital Programme 2025/26 to 2034/35 (item 08b on this agenda).

6. Treasury Management

6.1. Treasury management is concerned with keeping sufficient but not excessive cash available to meet spending needs while managing the risks involved. Surplus cash is invested until required while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Police, Fire and Crime Commissioner is generally cash rich in the short term due to the level of reserves currently held and revenue grants being received in advance of spend, but cash poor in the long term due to capital expenditure being incurred in advance of being financed.

6.2. Treasury Management involves the management of large sums of money and is therefore inherently risky. Accordingly, treasury activities are strictly controlled and managed in accordance with CIPFA's Prudential Code. The Treasury Management Strategy is approved annually by the Commissioner at his Public Accountability Conference, with activities being reported upon a periodic basis through the same meeting. The Joint Audit Committee also provides scrutiny of treasury management activities. Responsibility for treasury activities is delegated to the PFCCs Chief Finance Officer, who delegates responsibility for day to day management to the Constabulary Chief Finance Officer. The Treasury Management Strategy incorporates subsidiary investment and borrowing strategies, which are summarised below.

6.3. **Investment strategy** - Treasury investments arise from receiving cash before it is paid out again. The Commissioner makes investments because he has a cash surplus as a result of his day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments). The Commissioner does not make investments to support local public services by lending to or buying shares in other organisations (service investments), or to earn investment income (known as commercial investments where investment income is the main purpose).

The Commissioner's policy on treasury investments is to prioritise **security** and **liquidity** over **yield**; that is to focus on minimising risk rather than maximising returns. The risk that an investment counter- party defaults is very real as illustrated by the BCCI and, more recently, Icelandic Banks scandals, which impacted on public sector bodies. The investment strategy seeks to mitigate this risk by only investing in high quality, trusted counter-parties and spreading the investment portfolio across organisations. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy (subject to strict criteria) and the Commissioner may request his money back at short notice.

Whilst the Commissioner has historically held significant investments, these balances are being reduced as the Commissioner has undertaken internal borrowing to support the capital programme (see below) and reserves are drawn down to support the revenue budget.

Further details on treasury investment strategy are on pages 10 to 13 of the treasury management strategy (agenda item 08c).

6.4. **The Borrowing Strategy** – As indicated the Commissioner currently holds no external debts, other than a PFI arrangement described in section 6 of this report, with all external borrowing with the PWLB (Public Works Loans Board) having been repaid during 2012/13. However, there is an underlying need to borrow, known as the Capital Financing Requirement (CFR), arising from historical decisions to finance capital expenditure from borrowing within prudent limits. To date this has been met from internal borrowing.

6.5. The capital financing requirement (CFR) is a measure of the amount of capital spending that has not yet been financed by capital receipts, grants or contributions, it is in essence the amount of internal debt finance of the Police, Fire and Crime Commissioner. The CFR increases each time there is new capital expenditure financed by debt and decreases with MRP repayments, capital receipts assigned to repay debt or by making additional voluntary contributions. The CFR for the 31 March 2025 is forecast to be £21.089m.

Internal Borrowing – the practice of using reserves and provisions that have been set aside for future use to fund capital expenditure plans now. External borrowing comes with interest payments of currently around 5.25% where investments are currently making around 5.0% return, rates are forecast to fall during 2025/26 and as such, there is an incremental cost to borrow in advance of need (known as cost of carry). This is therefore discouraged if there are cash reserves available that can be drawn down as an alternative to borrowing.

6.6. The main objectives when borrowing is to achieve a low but certain cost of finance, while retaining flexibility should plans change in future. These objectives are often conflicting, and the Commissioner would therefore have to strike a balance between low cost short-term loans (currently available at around 5.5%) and long-term fixed rate loans where the future cost is known but higher (currently 5.25%). In previous financial years forecasts have shown that a small amount of short term borrowing, probably from other local authorities, may be required at the start of the new financial year.to bridge a shortfall in cash whilst the new financial year's revenue grants are received. This is not forecast to be necessary for 2025/26.

Given the rate of borrowing it is unlikely that the Commissioner will actually exercise long-term external borrowing until these reduce. As such financing decisions have long term consequences and should be taken in this context, long term interest rates will be carefully monitored with the aim of deciding the most advantageous time to take on long-term liabilities.

Liability Benchmark - The 2021 code requires Authorities to define their own 'Liability Benchmark' which will provide a future basis for developing a strategy for managing interest rate risk.

As an assurance that borrowing is only undertaken for capital purposes and is sustainable, the Commissioner is required to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with the statutory guidance a lower 'operational boundary' is also set as a warning level should debt approach the limit.

Further details on the borrowing strategy are on pages 8 to 9 of the treasury management strategy (agenda item 08c).

7. Other Liabilities

7.1. In relation to other external liabilities the Commissioner's balance sheet currently shows debt of £3.701m in relation to a private finance initiative (PFI) scheme for the provision of the Basic Command Unit deployment centre in West Cumbria. This debt is scheduled to reduce gradually through annual unitary charge payments met from the revenue account, until 2026 when the primary arrangement comes to an end. The intention is to purchase the premise, as permitted in the terms of the contract, and negotiations with the provider are progressing.

7.2. The Commissioner's balance sheet also shows long term liabilities totalling £1.080bn in respect of the Local Government and Police Officer Pension Scheme deficits. These will be met through a combination of payments from the revenue budget over a long period and support from central Government. A sum of £2.372m has been set aside to cover risks from legal claims and insurance liabilities. The Commissioner is also at risk of having to pay for an unlawful discrimination claim arising from the transitional provisions in the Police Pension Regulations 2015 but has not put aside any money because there is no clarity of the scale of the claim and no certainty over who will bear the costs at this time.

7.3. The risk of these pension liabilities crystallising and requiring payment is monitored by the Financial Services team. Further details on liabilities and guarantees are on page 101 of the 2023/24 statement of accounts.

8. Prudential Indicators

8.1. Both capital expenditure plans and treasury management are supported by a range of Prudential Indicators, whose purpose is to act as an early warning system that these activities are falling outside prescribed limits and may no longer be affordable, prudent or sustainable. Prudential Indicators, other than those using actual expenditure taken from audited statements of accounts must be set prior to the commencement of the financial year to which they relate. Indicators may be revised at any time, and must, in any case, be revised for the year of account when preparing indicators for the following year. The PFCCs Chief Finance Officer has a prescribed responsibility under the Code to ensure that relevant procedures exist for monitoring and reporting of performance against the indicators. The Prudential Indicators when initially set and whenever revised, must be approved by the body which approves the budget, i.e. The Commissioner at his Public Accountability Conference. Details of Prudential indicators are set out on pages 15-21 of the treasury management strategy (agenda item 08c).

9. Revenue Budget Implications

9.1. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable.

9.2. The Commissioner is also required to set aside a sum each year from the revenue budget to repay borrowing, which is linked to the life of the asset being financed. This is known as the minimum revenue payment (MRP) and can be likened to the minimum repayment on a credit card debt. The estimates for the repayment of internal borrowing from the revenue budget is shown below:

Minimum Revenue Provision	2023/24 Actual £m	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Minimum revenue provision for the financial year	0.681	0.737	0.899	1.380	2.050

9.3. The net annual charges to the revenue account are collectively known as financing costs, which are compared to the net revenue stream i.e. the amount funded from council tax and general government grants as a key prudential indicator of the affordability, prudence and sustainability of capital expenditure plans see below.

Ratio of Financing Costs to Net Revenue Stream	2023/24 Actual £m	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Investment income	1.009	1.144	1.015	0.660	0.640
MRP	0.681	0.737	0.899	1.380	2.050
Financing Costs	**-0.328**	**-0.407**	**-0.116**	**0.720**	**1.410**
Net Revenue Stream	130.475	138.306	147.275	149.703	153.053
Ratio	**-0.251%**	**-0.294%**	**-0.079%**	**0.481%**	**0.921%**

The financing costs are forecast to increase, reflecting the decision to make increased use of borrowing over the MTFF period in lieu of direct revenue contributions highlighted earlier in the report. Nonetheless, the ratios of financing costs to the revenue budget above are considered sustainable.

Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred over the MTFF period may extend for up to 50 years into the future. The PFCC Chief Finance Officer is satisfied that the proposed capital programme is **prudent, affordable and sustainable.**

10. Knowledge and Skills

10.1. The Commissioner employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.

10.2. Where employees do not have the knowledge and skills required, use is made of suitably qualified external advisers. The Commissioner currently employs Link Asset Services Limited as treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the Commissioner has access to knowledge and skills commensurate with his risk appetite.

Cumbria Office of the Police, Fire and Crime Commissioner

Public Accountability Conference 13 February 2025
Agenda Item 08b

Title: Capital Programme 2025/26 & Beyond

Report of the Constabulary Chief Finance Officer and PFCC Chief Finance Officer

Originating Officers: Lorraine Holme, Group Accountant; Sarah Walker, Financial Services Manager

1. Purpose of the Report

1.1. The purpose of this report is to provide information on the proposed capital programme for 2025/26 and beyond, both in terms of capital expenditure projections and the financing available to fund such expenditure. The capital programme is developed in consultation with the Constabulary who are the primary user of the capital assets under the ownership of the Commissioner.

2. Recommendations

2.1. The Commissioner is asked to note the proposed capital strategy for 2025/26 and beyond as part of the overall budget process for 2025/26.

2.2. At the next Executive Board – Police meeting The Commissioner is asked to approve the status of capital projects as detailed in appendices 2 to 5.

3. Capital Funding and Expenditure

3.1. Local Authorities (including the Police, Fire and Crime Commissioner) determine their own programmes for capital investment in non-current (fixed) assets that are essential to the delivery of quality public services. The Commissioner is required by regulation to have regard to The Prudential Code when carrying out his duties in England and Wales under part 1 of the Local Government Act 2003. The Prudential Code establishes a framework to support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure: "within a clear framework, that the capital investment plans of local authorities are **affordable, prudent and sustainable**". The test applied to meet these requirements states that all schemes, within the 5-year medium term capital programme, are only approved on the basis that they are fully funded either through capital grants, capital reserves, capital receipts, revenue contributions or planned borrowing.

3.2. There are three main recurring elements to the Commissioner's capital programme namely: Fleet Schemes, Estates Schemes and DDaT (Digital Data & Technology) Schemes. In addition to these, there are currently a small number of "other schemes" which do not fall into the broad headings above and include the replacement of firearms equipment, such as tasers and CCTV equipment.

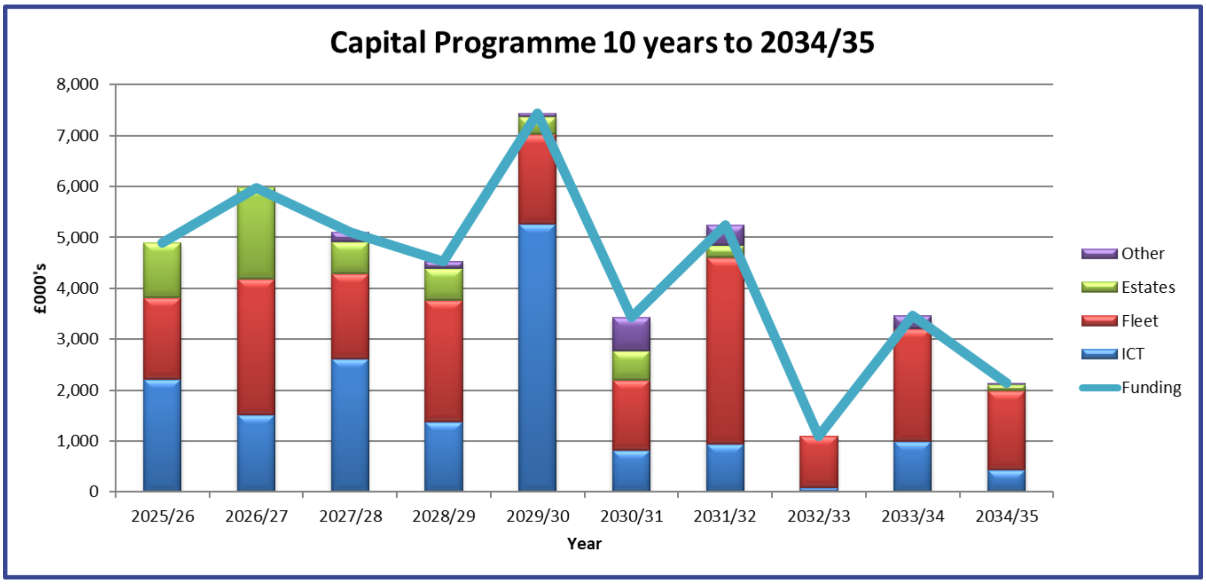
3.3. The profile of capital expenditure fluctuates annually. Across the current ten-year programme, annual average expenditure typically comprises £1.991m to replace fleet vehicles and around £1.623m for replacement of DDaT systems and equipment. DDAT Expenditure reflects the Constabulary Strategy to invest in digital technology. The profile of Estates schemes is 'lumpier', with peaks of expenditure when major buildings are replaced.

3.4. The table below provides a high-level summary of the proposed capital programme and associated capital financing over the five-year timeframe of the medium-term financial forecast (2025/26 to 2029/30).

Capital Expenditure	Yr 0 2024/25 £m	Yr 1 2025/26 £m	Yr 2 2026/27 £m	Yr 3 2027/28 £m	Yr 4 2028/29 £m	Yr 5 2029/30 £m	Yr 1-5 Total £m
DDaT Schemes	3.865	2.205	1.509	2.609	1.381	5.266	**12.970**
Fleet Schemes	1.537	1.600	2.664	1.673	2.385	1.757	**10.079**
Estates Schemes	0.601	1.080	1.799	0.620	0.616	0.345	**4.460**
Other Schemes	0.172	0.000	0.000	0.200	0.150	0.072	**0.422**
Total Capital Expenditure	**6.175**	**4.885**	**5.972**	**5.102**	**4.532**	**7.440**	**27.931**

Capital Financing	Yr 0 2024/25 £m	Yr 1 2025/26 £m	Yr 2 2026/27 £m	Yr 3 2027/28 £m	Yr 4 2028/29 £m	Yr 5 2029/30 £m	Yr 1-5 Total £m
Capital Receipts	(2.231)	0.000	0.000	0.000	0.000	0.000	**0.000**
Revenue Contributions	(0.590)	(0.402)	(0.400)	(0.487)	(0.501)	(0.400)	**(2.190)**
Revenue Reserves - DRC	(0.808)	(0.397)	(0.125)	0.000	(0.025)	0.000	**(0.547)**
Capital Reserves	(1.519)	0.000	0.000	0.000	0.000	0.000	**0.000**
Borrowing	(1.027)	(4.086)	(5.447)	(4.615)	(4.006)	(7.040)	**(25.194)**
Total Capital Financing	**(6.175)**	**(4.885)**	**(5.972)**	**(5.102)**	**(4.532)**	**(7.440)**	**(27.931)**

3.5. The diagram below shows the composition of the capital programme over 10 years. The large block of Estates work in 2026/27 relates to the purchase and modernisation of the deployment centre in West Cumbria at the end of the current PFI contract. The large increase in DDaT expenditure in 2029/30 includes £3.500m for the replacement to the current airwave radios with a new national Emergency Services network (ESN), this scheme has previously been delayed. The increase in the fleet budget for 2031/32 incorporates a year whereby the rolling program for replacement vehicles every 4 years & 5 years are due within the same year, resulting in a year with more vehicle purchases.



3.6. Historically, the capital programme has been financed through a combination of capital grants, capital receipts, capital reserves, borrowing and contributions from the revenue budget.

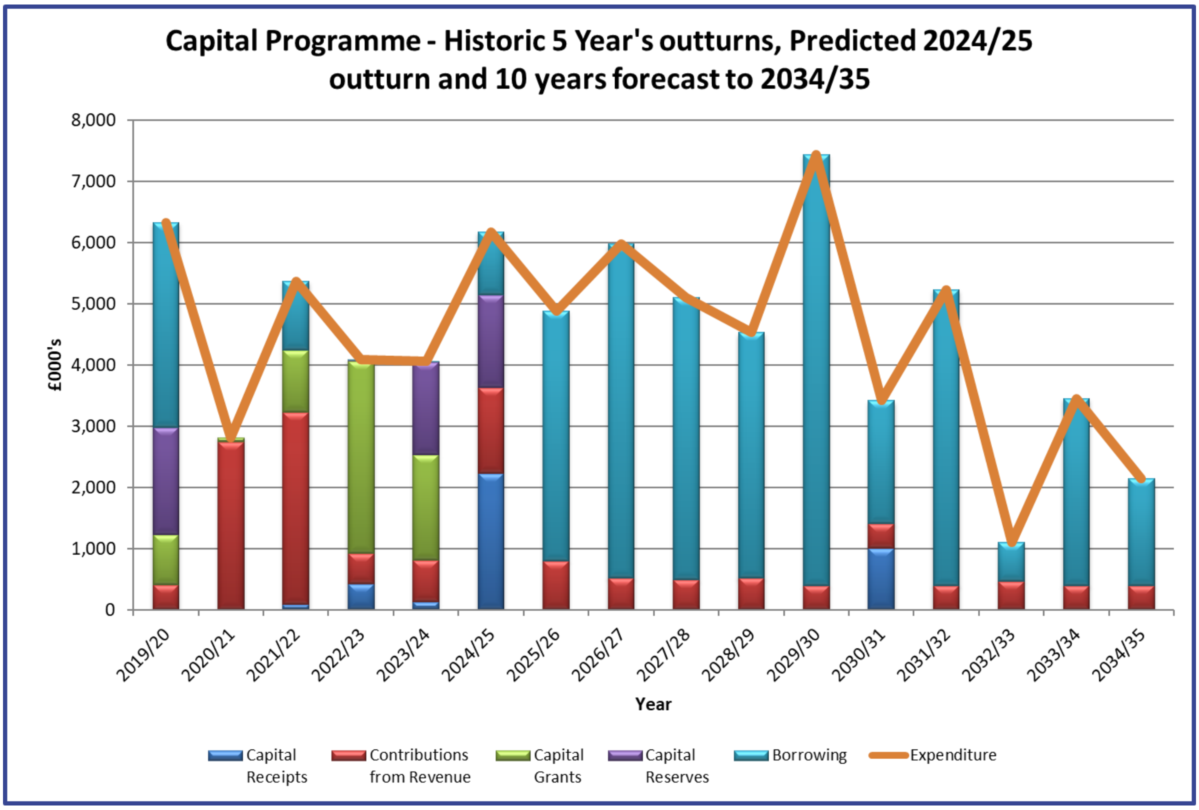
- Reserves are earmarked to specific projects and the timing of their use is matched to the expenditure. Reserves are largely exhausted by 2026/27.
- In addition, the Government's grant settlements over recent years had successively reduced the amount of capital grant to the point where it was removed altogether in 2022/23. All of the grants were used to fund capital expenditure in 2023/24 leaving no capital grants to apply to any future years.
- A similar situation has arisen with the 'unapplied capital receipts' reserve. An historic programme of estate rationalisation has resulted in sale receipts being received but not always used to fund expenditure in the same financial year. Some of these receipts have been reserved and the programme presented here shows that £2.231m will be used in 2024/25, depleting the reserve. Following this there are expected to be no new capital receipts with the medium term.

3.7. As a result of the reducing funding sources described above, the choices for future financing of the capital programme are largely limited to contributions from the revenue budget or borrowing. In the past borrowing has been confined to long life assets such as Estates and as a result the capital programme has become increasingly reliant on contributions from the revenue budget to finance capital expenditure. Historically, the annual contribution from the revenue budget was set at £1.200m but from 2017 the revenue contribution has steadily increased in each budget setting round to a level of £3.560m.

3.8. In the previous capital programme, as a result of the current inflationary pressure on the revenue budget, the decision was taken to reduce revenue contributions in both 2022/23 and 2023/24 by £3.000m p.a. and to replace this with borrowing as a means of balancing the revenue budget in the short term. As a result of some reprofiling there has been no need to undertake any of this borrowing to date however from 2024/25 borrowing against DDaT and Fleet assets will become necessary. As a result of continued inflationary pressures, contract price increases, reduced government grants the core revenue contribution has been reduced to £0.400m p.a. with borrowing being used to balance the capital funding.

3.9. A summary of the 10-year capital programme is provided for information at **Appendix 1**. The appendix shows that the capital programme is fully funded over the medium-term five-year period and the longer 10-year period. This has been achieved by assumed borrowing of £37.474m over the 10-year MTFF. The estimates for 5-10 years are built on a number of assumptions, which, particularly in rapidly changing sectors such as DDaT, are difficult to accurately predict. This means that project costs in the later years of the capital programme become increasingly indicative and should be treated with caution.

3.10. The chart below illustrates capital expenditure and funding over a historic five-year period and forecast for ten-year period which illustrates how the capital programme will become almost entirely dependent upon borrowing in the future with a small amount of revenue funding.



3.11. **DDaT Schemes**

The DDaT Capital Programme primarily provides for the cyclical replacement and improvement of the full range of DDaT equipment, hardware and application software to meet the strategic and operational needs of the Constabulary. However, over the period of the medium term financial forecast it also supports the Constabulary strategy to invest in technology to modernise the police service that is delivered to our communities.

The DDaT capital programme supports the delivery of the Constabulary's Digital Strategy.

The DDaT Capital Programme also makes provision for a large number of national DDaT programmes, which include changes of major strategic importance, in particular, the programme to replace the Police Radio System (Airwave) with an Emergency Services Network (ESN). The ESN scheme was previously included in the capital programme at an estimated cost of £9.605m over 10 years. The scheme has been consistently postponed, due to national delays on the project. Benchmarking has been carried out with similar forces to understand their ESN strategies, and on this basis the budget has been reduced to £3.402m, commencing in 2029/30. Details of requirements are still emerging, and it won't be clear as to the financial commitment needed locally until the Home Office release further information and devices are developed.

The pandemic has provided the Constabulary with an opportunity to assess the current agile working and look at how this will affect future working arrangements. This will help determine the DDaT infrastructure that is needed to support a more agile future. The infrastructure is currently a consolidation of server hardware in an on-site data center. The desire is to move away from this expensive hardware and towards cloud storage. This work has begun and a budget of £5.416m is included in the programme to continue the infrastructure improvements over the 10-year strategy.

The DDaT programme also covers local and mandated national police systems such as the main crime and intelligence system, command and control, forensics management, prisoner information systems, case and custody, including digital files for sharing with criminal justice partners and the police national data base that supports the sharing of information between forces.

Work is continuing in partnership with Mark 43 to replace the record management system, allowing the Constabulary to keep ahead of the evolving complexities of policing technologies and join all information in one place. Work is progressing well and the project is now going live in three phases. Phase 1 is planned to go live in March 2025 & phase 2 by March 2026. Phase 3 is linked to the national DCF (Digital Case File) project, this final phase will be much smaller and managed within the work stack of Business Development. The scheme has cost £300k to date with an expected spend of £1.15m by end of 2026.

Over recent years significant investment in mobile and digital ICT has been undertaken and was successful in allowing the Constabulary to work effectively from home during the pandemic. The capital strategy presented provides £7.467m over 10 years to provide a Modern Workplace, and the subsequent replacement of existing mobile devices as they reach end of life. Budgets for hardware also provide for the costs of all the different technology used to access systems, including traditional desktop computers, laptops, tablets as well as the smartphones that use application technology (police apps), but importantly provide end user access to all systems and applications.

An in-depth analysis & benchmarking exercise has been carried out during the year on the DDaT capital budget, with savings being identified. A number of planned replacements have been pushed back, and the contract for the command and control system has been reviewed rather than the original plan to replace the system and the savings realised.

If the large schemes are discounted, the programme shows that the DDaT capital programme presented remains broadly flat over the 10 years at an average of £1.623m per annum. This provides for the cyclical replacement and improvement of the full range of DDaT services: the networks and security and that ensures information can be moved securely between the different systems and device end points through which it is entered, processed and stored.

Appendix 2 provides a high-level analysis of the DDaT capital programme.

3.12. **Fleet Schemes**

The Constabulary fleet replacement programme consists of 321 vehicles. The capital programme provides for the replacement and kit out of these vehicles on a periodic basis at the end of their useful life. The fleet schemes are supported by the fleet strategy, an update of which was presented to the Commissioner as part of the budget setting process in September. The fleet strategy sets out the Constabulary fleet requirements over the coming years. The main aim of the fleet strategy is to provide a cost effective fleet service to meet the needs of operational policing. The majority of vehicles are procured through a national framework agreement which ensures value for money is achieved.

During 2024/25 54 vehicles were planned for replacement (including 19 where delivery was delayed from 2023/24) at an estimated cost of £1.57m. Of this, 11 vehicles had their life extended by one year delaying purchase to 2025/26 at an estimated cost of £193k. The pandemic delayed delivery of a large number of vehicles and this has had an ongoing knock-on effect, however during 2024/25 deliveries have started to catch up. Of the remaining 43 vehicles in the programme for 2024/25 all 43 have been ordered and 32 of those received, it is hoped the remaining 11 will be delivered by the end of March 2025.

A further review of vehicle requirements is currently underway, this will look at vehicle provision for pool cars, learning & development related travel is also being reviewed.

A new scheme for the introduction of vehicle telematics is progressing well. This provides in-car data recording to improve vehicle utilisation and it is anticipated that the detailed data provided will result in efficiencies in future years.

The plan for 2025/26 is to replace 50 vehicles with a budget of £1.600m, this is made up of a mix of mainly operational vehicle across all commands. The budget has been created on pricing from current frameworks and recent purchases with a caveat that prices are volatile & rapidly increasing, and there is potential that the budget requirement will increase.

Appendix 3 provides a high-level analysis of the fleet capital programme.

3.13. **Estates Schemes**

The Commissioner's estate currently consists of 30 premises (including police headquarters, larger police stations/Territorial Policing Area HQ, which include custody suites, smaller police stations, leased in and leased out property together with surplus assets subject to disposal). The estates schemes are supported by the estates strategy, an annual update of progress against this was presented to the Commissioner as part of the budget setting process for 2025/26. The estates strategy aims to provide a link between the strategic objectives of the organisation and priorities for the estate. The strategy outlines the current and future requirements of the estate and documents the changes that are required to meet these.

The main focus of the strategy in recent years has been on smaller life cycle replacements at various premises, including roof repairs, enhancing the LDC, heating and ventilation and improvements to the uninterrupted power supply.

The emphasis shifts for the coming years to focus on improved premises in the west of the county in response to major flooding incidents in recent years, including a review of options for the West Cumbria deployment centre which is currently part of a PFI arrangement. In the previous capital programme the budget was been reduced significantly from £13.000m to £1.100m based on the assumption that the current premises will be purchased and renovated rather than undertaking a new build.

As a result of changes to the local government boundaries in Cumbria, the Constabulary restructured into two basic command units (BCUs) to provide better alignment with the new local authority areas. This resulted in a requirement to have a deployment centre in Penrith, the capital programme includes a scheme to modernise the estate provision at Hunter Lane. The planning and tendering stage for this project has concluded and work on the modernisation have commenced in earnest.

Appendix 4 provides a high-level analysis of the estates capital programme.

3.14. **Other Schemes**

Other schemes include cross cutting or operational programmes of work and include the replacement of Tasers and Firearms, replacement ballistic shields, Firearms targeting system and works to expand and replace the Countywide CCTV system.

Appendix 5 provides a high-level analysis of the ‘other’ schemes.

4. Scheme Approval Status

In accordance with Financial Regulations B3 – Capital Programme, capital projects are split into three categories, Indicative, Delegated and Firm as outlined below. All schemes will begin as indicative when the medium term financial plan is approved and the Commissioner will indicate which schemes are to be subject to further reports to proceed to procurement in the MTFF.

Indicative – Where a scheme requires a full detailed business case to be submitted to the Commissioner for formal approval. All schemes requiring a business case are presented to COG, followed by Executive Board – Police prior to proceeding. The information requirements for schemes will be subject to CC CFO approval in consultation with the OPFCC CFO.

Delegated – where a scheme is approved in principle but there are fine details with regard to procurement and costs that have been delegated to the CC CFO, in consultation with the OPFCC CFO, for final approval. CC CFO delegations are limited to the financial amounts included for the scheme within the capital programme plus a variance of up to 10% or

£100,000 whichever is the lower. The CC CFO in consultation with the OPFCC CFO, may vire from capital reserves to fund any balance for the scheme within the delegated limit.

Firm - where a firm scheme is approved, procurement can commence without delay. They will typically relate to cyclical replacement programmes and maintenance works. They will either be supported by the relevant capital strategy or a business case, at or before the approval of the capital programme.

No capital expenditure shall be incurred unless the specific scheme is included in the capital programme approved by the PFCC or as subsequently modified

5. Supplementary information

Attachments

Appendix 1 Draft Capital Expenditure and Financing 10 years 2025/26 to 2034/35

Appendix 2 Draft DDaT Schemes

Appendix 3 Draft Fleet Schemes

Appendix 4 Draft Estates Schemes

Appendix 5 Draft Other Schemes

Appendix 6 Analysis of the change in Capital Strategy between February 2024 and January 2025

Capital Expenditure and Financing 10 years 2025/26 to 2034/35

Capital Expenditure	Yr 0 2024/25 £	Yr 1 2025/26 £	Yr 2 2026/27 £	Yr 3 2027/28 £	Yr 4 2028/29 £	Yr 5 2029/30 £	Yr 6 2030/31 £	Yr 7 2031/32 £	Yr 8 2032/33 £	Yr 9 2033/34 £	Yr 10 2034/35 £	Yr 1-10 Total £
DDaT Schemes	**3,864,899**	**2,204,737**	**1,508,797**	**2,609,497**	**1,381,005**	5,266,140	820,684	943,186	84,457	985,725	426,785	16,231,014
Fleet Schemes	**1,536,889**	**1,600,524**	**2,664,054**	**1,672,866**	**2,385,097**	**1,757,005**	1,370,599	3,661,765	1,014,058	2,220,578	1,562,905	19,909,453
Estates Schemes	**601,389**	**1,080,000**	**1,799,557**	**620,000**	**615,680**	**345,000**	580,000	230,000	0	0	120,000	5,390,237
Other Schemes	**172,056**	**0**	**0**	**200,000**	**150,000**	72,202	650,000	400,000	0	250,000	29,202	1,751,404
Total Capital Expenditure	**6,175,233**	**4,885,262**	**5,972,408**	**5,102,362**	**4,531,782**	**7,440,347**	**3,421,284**	**5,234,951**	**1,098,515**	**3,456,304**	**2,138,892**	**43,282,107**

Capital Financing	Yr 0 2024/25 £	Yr 1 2025/26 £	Yr 2 2026/27 £	Yr 3 2027/28 £	Yr 4 2028/29 £	Yr 5 2029/30 £	Yr 6 2030/31 £	Yr 7 2031/32 £	Yr 8 2032/33 £	Yr 9 2033/34 £	Yr 10 2034/35 £	Yr 1-10 Total £
Capital Receipts	**(2,231,382)**	**0**	**0**	**0**	**0**	**0**	(1,000,000)	0	0	0	0	(1,000,000)
Revenue Contributions	**(589,904)**	**(402,000)**	**(400,000)**	**(487,360)**	**(500,700)**	**(400,000)**	(400,000)	(400,000)	(467,260)	(400,000)	(400,000)	(4,257,320)
Revenue Reserves	**(807,921)**	**(396,640)**	**(125,000)**	**0**	**(25,000)**	**0**	(4,000)	0	0	0	0	(550,640)
Capital Reserves	**(1,518,917)**	**0**	**0**	**0**	**0**	**0**	0	0	0	0	0	0
Borrowing	**(1,027,110)**	**(4,086,622)**	**(5,447,408)**	**(4,615,002)**	**(4,006,082)**	**(7,040,347)**	(2,017,284)	(4,834,951)	(631,255)	(3,056,304)	(1,738,892)	(37,474,147)
Total Capital Financing	**(6,175,233)**	**(4,885,262)**	**(5,972,408)**	**(5,102,362)**	**(4,531,782)**	**(7,440,347)**	**(3,421,284)**	**(5,234,951)**	**(1,098,515)**	**(3,456,304)**	**(2,138,892)**	**(43,282,107)**
(Excess)/Shortfall	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

As per section 4 above, all schemes will begin as indicative when the medium term financial plan is approved and the Commissioner will indicate which schemes are to be subject to further reports to proceeding.

A more detailed analysis of capital expenditure is provided at Appendices 2-5

DDaT Schemes

DDaT Strategy 2025/26 onwards	Year 0 2024-25 £'s	Year 1 2025-26 £'s	Year 2 2026-27 £'s	Year 3 2027-28 £'s	Year 4 2028-29 £'s	Year 5 2029-30 £'s	Year 6 2030-31 £'s	Year 7 2031-32 £'s	Year 8 2032-33 £'s	Year 9 3033-34 £'s	Year 10 3034-35 £'s	Yr 1-10 Total £'s
Modern Workplace (End User Hardware Replacements)	1,905,344	792,135	813,908	2,018,294	707,114	589,124	473,174	856,082	532,801	612,413	74,000	7,469,045
Service Projects	152,076	169,598	92,916	61,469	95,042	63,635	97,249	65,885	62,042	65,783	64,549	838,168
Core Hardware Replacements	1,674,953	675,400	276,973	504,734	578,849	1,211,203	580,642	456,424	268,753	499,128	363,551	5,415,657
Radio Replacement	0	45,000	0	0	0	3,402,178	0	0	0	0	0	3,447,178
Projects (Infrastructure Solution Replacements)	520,485	648,004	325,000	25,000	0	0	0	0	0	0	0	998,004
General Reprofile	(387,960)	(125,400)	0	0	0	0	0	0	0	0	0	(125,400)
Savings	0	0	0	0	0	0	(330,381)	(435,205)	(779,139)	(191,599)	(75,315)	(1,811,638)
Total DDaT Programme	**3,864,899**	**2,204,737**	**1,508,797**	**2,609,497**	**1,381,005**	**5,266,140**	**820,684**	**943,186**	**84,457**	**985,725**	**426,785**	**16,231,014**

As per section 4 above, all schemes will begin as indicative when the medium term financial plan is approved and the Commissioner will indicate which schemes are to be subject to further reports to proceeding.

Fleet Schemes

Fleet Strategy 2025/26 onwards	Number of Vehicles in Category	Year 0 2024-25 £	Year 1 2025-26 £	Year 2 2026-27 £	Year 3 2027-28 £	Year 4 2028-29 £	Year 5 2029-30 £	Year 6 2030-31 £	Year 7 2031-32 £	Year 8 2032-33 £	Year 9 2033-34 £	Year 10 2034-35 £	Yr 1-10 Total £
Covert	12	-	300,000	57,962	74,880	63,892	-	330,000	63,644	-	153,439	-	1,043,816
Neighbourhood Policing	94	662,424	373,999	1,879,853	-	756,831	843,298	224,399	2,220,952	-	863,030	928,655	8,091,019
Specialist Vehicles	30	72,000	335,000	107,100	189,306	352,980	101,520	224,400	385,308	107,160	265,640	50,740	2,119,153
Dog Vehicles	14	28,000	8,000	108,120	234,000	95,400	224,640	30,800	49,280	120,840	261,000	106,200	1,238,280
Motor Cycles	7	-	141,000	-	-	-	-	16,500	-	-	146,160	-	303,660
Pool Cars	27	64,590	19,500	87,720	20,280	59,148	276,480	106,700	72,341	22,230	58,000	23,010	745,409
Protected personnel Carriers	9	-	-	218,280	445,120	340,260	-	-	-	-	-	252,520	1,256,180
Roads Policing Vehicles	25	250,000	241,000	82,620	621,920	327,540	260,280	89,100	669,760	352,260	279,560	95,580	3,019,620
Crime Command	40	102,000	135,000	122,400	-	95,400	-	280,500	200,480	51,300	139,200	106,200	1,130,480
Crime Scene Investigators	8	-	-	-	-	-	-	29,700	-	239,400	-	-	269,100
Garage	6	-	-	-	-	143,100	-	-	-	-	-	-	143,100
VIP	3	74,009	47,025	-	-	49,847	50,787	38,500	-	53,609	54,549	-	294,316
Above Strength Vehicles	28	-	-	-	-	-	-	-	-	-	-	-	0
Courtesy/fleet stock for rolling garage	1	-	-	-	-	-	-	-	-	-	-	-	0
Partnership Vehicles (Rechargable)	17	266,240	-	-	87,360	100,700	-	-	-	67,260	-	-	255,320
Telematics		17,627											
Total Fleet Summary	**321**	**1,536,889**	**1,600,524**	**2,664,054**	**1,672,866**	**2,385,097**	**1,757,005**	**1,370,599**	**3,661,765**	**1,014,058**	**2,220,578**	**1,562,905**	**19,909,453**
Number of Vehicles Replaced Each Year		**50**	**50**	**77**	**27**	**55**	**42**	**50**	**93**	**30**	**52**	**32**	

As per section 4 above, all schemes will begin as indicative when the medium term financial plan is approved and the Commissioner will indicate which schemes are to be subject to further reports to proceeding.

Estates Schemes

Appendix 4

Estates Strategy 2025/26 Onwards	Yr 0 2024/25 £	Yr 1 2025/26 £	Yr 2 2026/27 £	Yr 3 2027/28 £	Yr 4 2028/29 £	Yr 5 2029/30 £	Yr 6 2030/31 £	Yr 7 2031/32 £	Yr 8 2032/33 £	Yr 9 2033/34 £	Yr 10 2034/35 £	Yr 1-10 Total £
Existing Schemes												
Roof Repairs - Various												
Roof Repairs - Kendal Police Station	176,249	0	0	0	0	25,000	0	0	0	0	0	25,000
Roof Repairs - Appleby	0	0	0	0	0	0	0	120,000	0	0	0	120,000
Roof Repairs & Glazing - Durranhill	5,000	0	70,000	0	0	0	0	0	0	0	0	70,000
Heating, Ventilation & Cooling Plant - Various												
Police Headquarters HVAC	0	300,000	0	0	0	200,000	0	0	0	0	0	500,000
Barrow HVAC	0	0	60,000	0	0	0	0	0	0	0	0	60,000
Durranhill heat and vent plant	0	0	0	0	0	0	0	0	0	0	120,000	120,000
Comms Centre Cooling plant	0	0	0	0	0	70,000	0	0	0	0	0	70,000
UPS												
UPS HQ	0	0	80,000	0	0	0	0	0	0	0	0	80,000
UPS Kendal	30,000	0	0	0	0	0	0	0	0	0	0	0
UPS Barrow	5,000	0	0	0	0	0	0	0	0	0	0	0
CCTV and Cell Call												
Kendal CCTV and Cell Call	0	0	0	0	0	0	0	60,000	0	0	0	60,000
Other Existing Schemes												
Garage Provision	0	0	0	0	0	0	500,000	0	0	0	0	500,000
Cell Safety	100,000	0	0	0	0	0	0	0	0	0	0	0
West Estate Purchase	10,140	85,000	1,000,000	0	0	0	0	0	0	0	0	1,085,000
HQ window conservation	0	0	50,000	0	0	0	0	0	0	0	0	50,000
Learning and Development Centre life cycles	0	0	0	0	0	25,000	0	0	0	0	0	25,000
Gas suppression cylinder replacements	0	0	0	0	0	25,000	0	0	0	0	0	25,000
Kendal M&E plant	0	0	0	0	20,000	0	0	0	0	0	0	20,000
Kendal - yr 10 electrical and plant	0	0	0	0	0	0	50,000	0	0	0	0	50,000
Carlisle M&E plant (area 2)	0	80,000	0	0	0	0	0	0	0	0	0	80,000
Dog Section	125,000	125,000	0	0	0	0	0	0	0	0	0	125,000
Durranhill curtain walling life cycles	0	0	0	0	0	0	30,000	0	0	0	0	30,000
Strategic Estate development fund	0	100,000	289,557	500,000	595,680	0	0	0	0	0	0	1,485,237
Cockermouth Paving	0	80,000	0	0	0	0	0	0	0	0	0	80,000
Appleby	150,000	50,000		0	0	0	0	0	0	0	0	50,000
Firearms welfare - toilets/facilities	0	0	100,000	0	0	0	0	0	0	0	0	100,000
Windermere refurbishment	0	120,000	0	0	0	0	0	0	0	0	0	120,000
Brampton retaining wall	0	80,000	0	0	0	0	0	0	0	0	0	80,000
Kirby Stephen - new roof	0	60,000	0	0	0	0	0	0	0	0	0	60,000
Sub Total Existing Estates Schemes	**601,389**	**1,080,000**	**1,649,557**	**500,000**	**615,680**	**345,000**	**580,000**	**180,000**	**0**	**0**	**120,000**	**5,070,237**
New Estates Schemes 2025/26												
Kendal CCTV	0	0		0	0	0	0	50,000	0	0	0	50,000
Durranhill CCTV	0	0	30,000	0	0	0	0	0	0	0	0	30,000
Durranhill affray	0	0	120,000	0	0	0	0	0	0	0	0	120,000
Durranhill life replacement	0	0	0	120,000	0	0	0	0	0	0	0	120,000
Sub Total New Estates Schemes	0	0	150,000	120,000	0	**0**	**0**	50,000	0	0	0	**320,000**
Total Estates Schemes	**601,389**	**1,080,000**	**1,799,557**	**620,000**	**615,680**	**345,000**	**580,000**	**230,000**	**0**	**0**	**120,000**	**5,390,237**

As per section 4 above, all schemes will begin as indicative when the medium term financial plan is approved and the Commissioner will indicate which schemes are to be subject to further reports to proceeding.

Other Schemes

Other Schemes 2025/26 onwards	Yr 0 2024/25 £	Yr 1 2025/26 £	Yr 2 2026/27 £	Yr 3 2027/28 £	Yr 4 2028/29 £	Yr 5 2029/30 £	Yr 6 2030/31 £	Yr 7 2031/32 £	Yr 8 2032/33 £	Yr 9 2033/34 £	Yr 10 2034/35 £	Yr 1-10 Total £
CCTV	0	0	0	0	150,000	0	450,000	400,000	0	0	0	1,000,000
Taser CED migration (T60 package /T7 * 7!	67,829	0	0	200,000	0	0	0	0	0	200,000	0	400,000
X26 taser fleet replacement	0	0	0	0	0	0	200,000	0	0	0	0	200,000
Glock Pistol Replacement	0	0	0	0	0	0	0	0	0	50,000	0	50,000
Portable Ballistic Protective Equipment	0	0	0	0	0	43,000	0	0	0	0	0	43,000
LaserCam4	20,025	0	0	0	0	0	0	0	0	0	0	0
Firearms Targeting System	55,000	0	0	0	0	0	0	0	0	0	0	0
Sheilds - Public Order Protective Sheilds	29,202	0	0	0	0	29,202	0	0	0	0	29,202	58,404
Total Other Schemes	**172,056**	**0**	**0**	**200,000**	**150,000**	**72,202**	**650,000**	**400,000**	**0**	**250,000**	**29,202**	**1,751,404**

As per section 4 above, all schemes will begin as indicative when the medium term financial plan is approved and the Commissioner will indicate which schemes are to be subject to further reports to proceeding.

Analysis of change in Capital Programme between Feb 2024 and the Jan 2025 proposals.

EXPENDITURE	Year 0 2024-25 £	Year 1 2025-26 £	Year 2 2026-27 £	Year 3 2027-28 £	Year 4 2028-29 £	Year 5 2029-30 £	1-5 Year TOTAL £
Capital Strategy - Approved (February 2024)	6,547,052	3,479,912	6,518,356	4,415,936	8,705,458	9,162,418	32,282,080
Capital Strategy - Proposed (TODAY)	6,175,233	4,885,262	5,972,408	5,102,362	4,531,782	7,440,347	27,932,162
Difference (decrease)/Increase	(371,819)	1,405,350	(545,947)	686,426	(4,173,676)	(1,722,071)	(4,349,918)
Difference by Type							
- ICT Schemes	(210,178)	79,985	(209,500)	(37,500)	(4,636,678)	(1,909,010)	(6,712,702)
- Fleet Schemes	607,701	725,364	188,761	103,926	(112,678)	686,939	1,592,312
- Estates Schemes	(789,367)	600,000	(525,208)	620,000	575,680	(500,000)	770,472
- Other Schemes	20,025	0	0	0	0	0	0
Difference (decrease)/Increase	(371,819)	1,405,350	(545,947)	686,426	(4,173,676)	(1,722,071)	(4,349,918)
Explanation of the Difference by Type							
ICT Schemes							
Budget Assumptions review	(92,434)	(709,500)	(209,500)	(287,500)	(4,571,678)	(1,995,911)	(7,774,089)
Transfer to Revenue	0	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(500,000)
Budget Returned	(165,936)	(4,734)	0	0	0	0	(4,734)
Slippage to Future years	486,640	0	0	0	0	0	0
Schemes B/Fwd	(250,000)	50,000	0	300,000	0	(300,000)	50,000
Savings	0	0	0	0	0	486,901	486,901
Slippage from 2023/24	(558,974)	659,504	100,000	0	0	0	759,504
New Replacement	370,527	82,715	0	50,000	35,000	0	167,715
New Scheme - ARIS	0	102,000	0	0	0	0	102,000
Fleet Schemes							
Qtr.4 slippage	650,603	0	0	0	0	0	0
Move to 2025/26	(193,000)	0	0	0	0	0	0
Write off B/Fwd	23,836	27,000	(43,136)	0	0	23,836	7,700
Price Increase / reprofile	0	275,000	(54,424)	(115,344)	(441,456)	585,996	249,772
Price Increase & B/fwd	0	43,000	(35,000)	0	0	0	8,000
New Approval	39,009	0	0	0	47,025	0	47,025
Re-profile	0	56,000	0	0	0	(56,000)	0
Price Increase	87,253	347,525	380,288	243,737	331,768	100,237	1,403,555
Vehicle Specification Change	0	(6,000)	(16,000)	0	0	0	(22,000)
Inflation	0	(17,160)	(42,967)	(24,467)	(50,015)	32,870	(101,739)
Estates Schemes							
Quarter 4 2023/24 B'Fwd	(649,367)	230,000	0	0	0	0	230,000
Scheme B/Fwd	30,000	140,000	(90,000)	0	(20,000)	0	30,000
New Schemes	70,000	150,000	(535,208)	620,000	595,680	0	830,472
Budget returned	(60,000)	0	0	0	0	0	0
Slippage	(180,000)	80,000	100,000	0	0	(500,000)	(320,000)
Other Schemes							
LaserCam4 slippage	20,025	0	0	0	0	0	0
Difference (decrease)/Increase	(371,819)	1,405,350	(545,947)	686,426	(4,173,676)	(1,722,071)	(4,349,918)
Balance left to explain	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Public Accountability Conference
13 February 2025
Agenda Item No 08c

Joint Audit Committee
26 March 2025
Agenda Item No TBC

Office of the Police, Fire and Crime Commissioner Report

Title: Borrowing, Treasury Management, Investment and MRP Strategies 2025/26 (including Prudential Indicators)

Report of the Constabulary Chief Finance Officer and PFCC Chief Finance Officer

Originating Officers: Sarah Walker, Financial Services Manager;
Lorraine Holme, Group Accountant.

Purpose of the Report

The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in the Public Services (the CIPFA TM Code) and the Prudential Code require Local Authorities (including the PFCC) to determine the Treasury Management Strategy Statement (TMSS) on an annual basis.

These codes were originally issued in 2002, revised in 2009, 2011, 2017, and again in 2021. The TMSS presented here complies with the 2021 codes and accompanying guidance notes. The TMSS also incorporates the Investment Strategy which is a requirement of the Ministry of Housing, Communities and Local Government's (MHCLG) (Previously Department for Levelling Up, Housing & Communities) Investment Guidance 2018.

This report proposes a strategy for the financial year 2025/26.

Treasury Management in Local Government continues to be a highly important activity. The Police, Fire and Crime Commissioner ("The Commissioner") adopts the CIPFA definition of Treasury Management which is as follows:

> **Treasury Management Definition**
>
> *'The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'*

Recommendations

The Commissioner is asked to:

1. Approve the Borrowing Strategy for 2025/26 as set out on pages 8-9.
2. Approve the Investment Strategy for 2025/26 as set out on pages 10-13.
3. Approve the Treasury Management Prudential Indicators as set out on pages 15-17.
4. Approve the other Prudential Indicators set out on pages 17 to 21.
5. Approve the Minimum Revenue Provision Policy Statement for 2025/26 as set out on pages 22-23.
6. Note that the detailed Treasury Management Practices (TMPs) are currently being reviewed and updated as required by the Code of Practice and will be published alongside the TMSS on the Commissioner's website. The updated TMPs will be provided at the Joint Audit Committee in March.
7. Delegate to the PFCC Chief Finance Officer any non-material amendments arising from scrutiny of the strategy by the Joint Audit Committee.

The Joint Audit Committee are asked to review the Treasury Management Strategy Statement and Treasury Management Practices to be satisfied that controls are satisfactory and provide advice as appropriate to the Commissioner.

DAVID ALLEN
CUMBRIA'S POLICE, FIRE AND CRIME COMMISSIONER

Borrowing, Treasury Management, Investment, and MRP Strategies 2025/26 (Including Prudential Indicators)

Treasury Management Strategy Statement 2025/26

Contents

Key Messages

Approval of an annual Treasury Management Strategy is a statutory requirement of the Commissioner.

This Strategy aims to provide the Commissioner with a low risk, yet suitably flexible, approach to Treasury Management.

General Principles

The Commissioner is required to approve an annual Treasury Management Strategy Statement in accordance with the CIPFA Code of Practice on Treasury Management, which also incorporates an Investment Strategy as required by the Local Government Act 2003 and which is prepared in accordance with the Ministry of Housing, Communities and Local Government's Investment Guidance 2018. Together, these cover the financing and investment strategy for the forthcoming financial year.

The Treasury Management Strategy has been prepared in line with the model guidance produced by Link Asset Services Ltd, who provide specialist treasury management advice to the Commissioner. However, it should be noted that all treasury management decisions and activity are the responsibility of the Commissioner and any such references to the use of these advisors should be viewed in this context.

Treasury management activities involving, as they do, the investment of large sums of money and the generation of potentially significant interest earnings have inherent risks. The Commissioner regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks. The main risks to the Commissioner's treasury activities are outlined below:

- Credit and Counterparty Risk (security of investments)
- Liquidity Risk (inadequate cash resources)
- Market or Interest Rate Risk (fluctuations in interest rate levels)
- Re-financing Risks (impact of debt maturing in future years)
- Legal and Regulatory Risk
- Fraud, Error and Corruption Risk

Details of the control measures the Commissioner has put in place to manage these risks are contained within the separate Treasury Management Practices (TMPs).

Key Messages

The Commissioner's priority for investments will **always** be ranked in the order of:

General Principles (Continued)

The Commissioner acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management. However, the high profile near failure of major banks in 2008 highlighted that this objective must be sought within a context of effective management of counterparty risk. Accordingly, the Commissioner will continue to search for optimum returns on investments, but at all times the **security** of the sums invested will be paramount. This is a cornerstone of the CIPFA Code of Treasury Management Practice which emphasises "**Security, Liquidity, Yield** in order of importance at all times". The security of the sums invested is managed by tight controls over the schedules of approved counterparties, which are continually reviewed to take account of changing circumstances, and by the setting of limits on individual and categories of investments as set out at **Appendix A**.

The strategy also takes into account the impact of treasury management activities on the Commissioner's and Constabulary's revenue budget. Forecasts of cash balances, interest receipts and financing costs are regularly re-modelled. The revenue budget for 2025/26 and forecasts for future years have been updated in light of the latest available information as part of the financial planning process.

The guidance under which this strategy is put forward comes from a variety of different places. Principally, however, the requirement to produce an annual Treasury Management Strategy is set out in the CIPFA Code of Practice on Treasury Management published in 2011, 2017 and 2021. There is, in addition, a further requirement arising from the Local Government Act 2003 (Section 15) and the 2018 Ministry of Housing, Communities and Local Government's (MHCLG) Guidance, to produce an investment strategy as part of the wider Treasury Strategy. This is set out below, starting at page 10. Finally, the Commissioner's treasury advisors, Link Asset Services Ltd, have provided some advice about possible future trends in interest rates and advice on best practice in relation to the format of the TMSS.

In accordance with The Code of Practice for Treasury Management, the Commissioner will approve the Annual TMSS, receive a quarterly summary of treasury activity, a mid-year update on the strategy and an annual report after the close of the financial year.

Key Messages

Scrutiny of the Commissioner's treasury activities is the responsibility of the Joint Audit Committee, including:

- Quarterly Reports
- Year End Report
- Treasury Risk Management
- Review of Assurances

As a minimum a rolling 12-month cash flow forecast is maintained and is audited as part of the statutory accounts to support the principle that the Commissioner is operating as a 'going concern'.

General Principles (Continued)

The Joint Audit Committee will be responsible for the scrutiny of treasury management policy and processes. The Joint Audit Committee terms of reference in relation to treasury management are:

- Review the Treasury Management policy and procedures to be satisfied that controls are satisfactory.
- Receive regular reports on activities, issues and trends to support the Committee's understanding of Treasury Management activities; the Committee is not responsible for the regular monitoring of activity.
- Review the treasury risk profile and adequacy of treasury risk management processes.
- Review assurances on Treasury Management (for example, an internal audit report, external or other reports).

The MHCLG Guidance on investments states that publication of strategies is now formally recommended, the full suite of strategy documents will be published on the Commissioner's website once approved.

The Commissioner complies with the provisions of section 32 of the Local Government Finance Act 1992 to set a balanced budget. This report fulfils the legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and MHCLG Guidance.

Treasury Management Cash Flow Forecast

Treasury Management activity is driven by the complex interaction of expenditure and income flows, but the core drivers within the Commissioner's balance sheet are the underlying need to borrow to finance its capital programme, as measured by the capital financing requirement (CFR), which is explored in detail on page 8 of this report, and the level of reserves and balances. In addition, day-to-day fluctuations in cash flows due to the timing of grant and council tax receipts and outgoing payments to employees and suppliers have an impact on treasury activities and accordingly are modelled in detail. The Commissioner's level of debt and investments is linked to the above elements, but market conditions, interest rate expectations and credit risk considerations all influence the Commissioner's strategy in determining exact borrowing and lending activity.

Key Messages

Investment returns and borrowing rates have most likely peaked, they started to fall in 2024 and further rate cuts are expected through 2025. However, many factors can impact that forecast.

The availability of reserves is declining and a requirement to borrow to fund the capital programme is anticipated.

Treasury Management Cash Flow Forecast (Continued)

The estimated treasury position at 31st March 2025 and for the following financial years are summarised below:

Estimated Treasury Position	Forecast 2024/25 £m	Estimate 2025/26 £m	Estimate 2026/27 £m	Estimate 2027/28 £m	Estimate 2028/29 £m
External Borrowing	0.000	0.000	0.000	0.000	0.000
Interest Payments	0.000	0.000	0.000	0.000	0.000
Investments (**Average**)	22.711	22.039	17.898	18.286	18.286
Interest Receipts	1.144	1.015	0.660	0.640	0.640

The figures in the table above are based on the approval of the proposed revenue budget and capital programme presented to the Commissioner elsewhere on this agenda and are based on the interest rate assumptions as outlined on page 7 below. The estimate for interest receipts in 2025/26 is £1.015m (latest forecast for 2024/25 is £1.144m). Interest receipts are higher this year due to slippage of the capital programme and higher interest rates. The timing of future external borrowing is currently not known and negotiations regarding the exit of the PFI contract are still to be made.

The Commissioner's underlying need to borrow, as measured by the Capital Financing Requirement (CFR), is estimated to be £21.089m at the start of the 2025/26 financial year. This includes £3.402m which is the capital value of the PFI contract as required by changes to proper accounting practices introduced in The Code of Practice on Local Authority Accounting 2009. The capital programme paper elsewhere on this agenda (see item 08b) indicates that the Commissioner will need to borrow to deliver the agreed capital programme.

Under current market conditions, where short term interest rate forecasts are frequently changing, and there are continuing general uncertainties over the creditworthiness of financial institutions, it is assumed that the most prudent borrowing strategy for the present is to meet the capital funding requirement from within internal resources. This has the effect of reducing the cash balances available for investment. Advice will continue to be sought from our treasury advisors as to the most opportune time and interest rate to undertake external borrowing.

Key Messages

Core CPI inflation has risen to 3.5% during 2024 and is above the 2% target. The Bank of England forecast inflation will not fall to 2% until the end of 2025.

The Bank Rate is forecast to steadily reduce in 2025, with further reductions expected during 2026.

Treasury Management Interest Rate Forecast

- GDP fell by 0.1% m/m in October with a 0.1% month on month rebound in November, the economy has a bit less momentum than most economists previously thought and therefore a real risk remains to the economy contracting in Quarter 4 as a whole.
- UK CPI fell from 2.6% in November to 2.5% for December. Both services and core inflation are currently at rates clearly above those with the 2.0% target and are moving in the wrong direction, there isn't much downward momentum. The Bank of England forecasts CPI to be 2.7% y/y (Q4 2025) and 2.2% (Q4 2026) before dropping back in 2027 to 1.8% y/y.
- The latest forecast, updated on 11th November, sets out a view that both short and long-dated interest rates will start to fall once it is evident that the Bank of England has been successful in squeezing excess inflation out of the economy, despite a backdrop of stubborn inflationary factors and a tight labour market.

The Monetary Policy Committee (MPC) has reduced the Bank Rate by 50bps over the past twelve months, taking rates to 4.75%. At the December meeting a 6-3 majority saw it remain at 4.75%, with two members preferring to reduce the rate by 0.25%. The Committee continues to consider a range of cases for how the past global shocks that drove up inflation may unwind, and therefore how persistent domestic inflationary pressures may be. The MPC is also monitoring the impact on growth and inflationary pressures from the measures announced in the Autumn Budget, and from geopolitical tensions and trade policy uncertainty. These developments have generated additional uncertainties around the economic outlook.

Base Rate Estimates	2024/25	2025/26	2026/27	2027/28
Quarter 1	5.25%	4.50%	3.75%	3.50%
Quarter 2	5.25%	4.25%	3.75%	3.50%
Quarter 3	4.75%	4.00%	3.75%	3.50%
Quarter 4	4.75%	4.00%	3.50%	3.50%

Key Messages

The Commissioner has an increasing Capital Financing Requirement due to the capital programme but has modest investments (after deducting the pension grant receipt), and will therefore need to borrow in the near future.

Borrowing Strategy

Long Term Borrowing

The Commissioner's underlying need to borrow for capital purposes is measured by reference to the Capital Financing Requirement (CFR), which is one of the Prudential Indicators and represents the cumulative capital expenditure of the Commissioner that has not been financed from other sources such as capital receipts, capital grants, revenue contributions or reserves. To ensure that this expenditure will ultimately be financed, authorities are required to make a provision from their revenue accounts each year for the repayment of debt. This sum known as the Minimum Revenue Provision (MRP) is intended to cover the principal repayments of any loan over the expected life of a capital asset. The CFR together with Usable Reserves, are the core drivers of the Commissioner's Treasury Management activities.

Actual borrowing may be greater or less than the CFR, however to comply with the Prudential Code, the Commissioner must ensure that in the medium term, net debt will only be for capital purposes. Therefore, the Commissioner must ensure that except in the short term, net debt does not exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. In compliance with this requirement the Commissioner does not currently intend to borrow in advance of spending need.

The table below shows the Commissioner's projected capital financing requirement for 2025/26 and beyond.

Capital Financing Requirement	2023/24 Actual £m	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Balance B/fwd	21.468	20.799	21.090	24.278	28.346
Plus Capital Expenditure financed from borrowing	0.012	1.027	4.086	5.447	4.615
Less MRP for Debt Redemption	(0.681)	(0.737)	(0.899)	(1.380)	(2.050)
Balance C/Fwd	**20.799**	**21.089**	**24.277**	**28.345**	**30.911**

The above table shows only capital expenditure that is required to be financed from borrowing. The full capital programme and associated financing is reported in summary within the capital programme elsewhere on the agenda (see item 08b).

Key Messages

Diversification of investments continues to provide a level of liquid cash that is suitable for to cover the Commissioner's expenditure profile whilst total investment balances remain high. This will continue to be monitored as levels of investments fall and if necessary, a minimum level of liquid cash to be maintained will be set.

Short-term borrowing from other Local Authorities may be needed in the future to manage short term cash flow shortfalls.

Borrowing Strategy (Continued)

The Commissioner is not expected to have any external borrowing at the start of 2025/26. Given that the CFR is forecast to be £24.277m by the end of 2025/26, this effectively means that the Commissioner will be funding over £21.213m of capital spend from internal resources (CFR £24.277m less £3.064m in relation to the PFI).

Bank Rate rises over the recent period have continued to push up the cost of long-term finance to over 5%. Borrowing rates are expected to start falling during 2025 and to continue over the medium term. Consequently, undertaking long-term borrowing at this time is likely to fix higher costs into the revenue account and commit the Commissioner to costs for many years in the future. It is critical that a long-term view is taken regarding the timing of such transactions.

It should also be recognised that by funding internally, there is an exposure to interest rate risk at the point that actual borrowing is undertaken. Accordingly, the Commissioner, in conjunction with its treasury advisors, will continue to monitor market conditions and interest rate prospects on an ongoing basis, in the context of the Commissioner's capital expenditure plans, with a view to minimising borrowing costs over the medium to long term.

The Commissioner's predecessors had previously raised all of its long-term borrowing from the PWLB (Public Works Loans Board) but other sources of finance are now available and being investigated, such as local authority loans and bank loans, that may be available at more favourable rates.

Short Term Borrowing

Short term loans will be used to manage day to day movements in cash balances, or over a short-term period to enable aggregation of existing deposits into longer and more sustainable investment sums. Short term borrowing would probably be from another Local Authority.

Key Messages

The Investment Strategy for 2025/26 remains broadly the same as in previous years as there has been little change in the markets or counterparties but is presented in line with the Link Asset Services (treasury advisors) methodology.

The updated investment guidance emphasises "Security, Liquidity, Yield in order of importance at all times".

The appropriate balance between risk and return is sought.

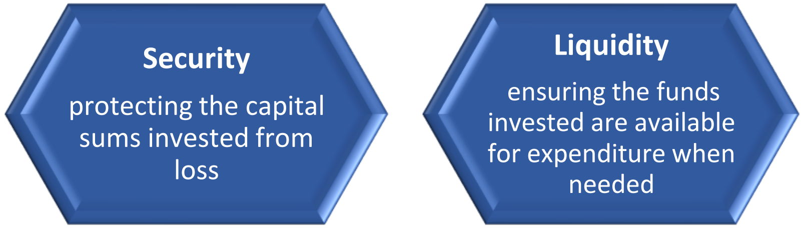
Investment Strategy

Local Authorities (which include the Commissioner) invest their money for three broad purposes:

- because they have surplus cash as a result of their day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
- to support local public services by lending to or buying shares in other organisations (service investments), and
- to earn investment income (known as commercial investments where this is the main purpose).

The Local Government Act 2003, Section 15(1) (a) requires the Commissioner to approve an investment strategy which must also meet the requirement in the statutory investment guidance issued by MHCLG in January 2018. The Commissioner does not currently have, and does not intend to invest in, service investments or commercial investments so the detail below focuses on a Treasury Management Investment Strategy.

The CIPFA Code requires funds to be invested prudently, and to have regard for:



The generation of yield is distinct from these prudential objectives. Once proper levels of security and liquidity are determined, it is then reasonable to consider what yield can be obtained consistent with these priorities. The objective when investing surpluses is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the aim would be to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

The treasury management investment strategy operates criteria based on credit ratings to determine the size and duration of investments it is willing to place with particular counterparties. The credit worthiness of counterparties is reviewed on an ongoing basis in conjunction with the Commissioner's treasury advisors.

Key Messages

In accordance with guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Commissioner applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.

The key ratings used to monitor counterparties are the Long Term ratings.

Investment Strategy (Continued)

The Commissioner holds significant balances of invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2024/25, the Commissioner's investment balance has ranged between £5.126m and £36.859m. The larger sum was due to the receipt in July 2024 of £16.520m pension top up grant from the Home Office, which is drawn down steadily over the remainder of the year. Balances in 2025/26 are forecast to slowly reduce as expenditure on large capital schemes continues. It is anticipated that, at the peak, when the pensions grant is received in July, balances for investment could approach £29.000m.

Credit Rating - Investment decisions are made by reference to the lowest published long-term credit rating from credit agencies such as, Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. In addition to credit ratings, the Commissioner, and its advisors, select countries and financial institutions after analysis and ongoing monitoring of:

- Economic fundamentals (e.g., net debt as a % of GDP)
- Credit default swap prices (a CDS is a financial derivative or contract that allows an investor to "swap" or offset credit risk with that of another investor)
- Sovereign support mechanisms
- Share prices
- Corporate developments, news, articles, market sentiment and momentum
- Subjective overlay – or, put more simply, common sense.

The investment strategy for 2015/16 was opened up slightly to include some additional classes of investment to allow more flexibility and diversification. The strategy for 2025/26 remains principally the same, however, the methodology used in applying the matrix for the placement of investments will be fully aligned with the Link Asset Services methodology. A full explanation of each class of asset and the creditworthiness policy is provided in **Appendix A** together with a schedule of the limits that will be applied.

The decision to enter into an approved class of investment is delegated to the PFCC Chief Finance Officer. Lending Limits (amounts & maturity) for each counterparty will be set through applying the matrix table. Transaction limits are also set for each type of investment.

Key Messages

The PFCC Chief Finance Officer (subject to consultation with the Commissioner) will be granted delegated authority to amend or extend the list of approved counterparties should market conditions allow.

No plans to use derivatives – this would require explicit approval.

Investment Strategy (Continued)

Classes of investment are also categorised under two types; specified and non-specified, the limits for these are set in the TMP's. Specified investments are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, even if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year. Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

The Treasury Management Strategy is designed to be a dynamic framework which is responsive to prevailing conditions with the aim of safeguarding the Commissioner's resources. Accordingly, the Commissioner and his advisors will continuously monitor corporate developments and market sentiment with regards to counterparties and will amend the approved counterparty list and lending criteria where necessary. Whilst credit ratings are central to the counterparty risk evaluation process, other factors such as the prevailing economic climate are taken into consideration when determining investment strategy. It is proposed to continue the policy, adopted in 2017/18 that the PFCC Chief Finance Officer, subject to consultation with the Commissioner, be granted delegated authority to amend or extend the list of approved counterparties should market conditions allow.

The Joint Audit Committee will be updated on any changes to policy. The performance of the Commissioner's treasury advisors and quality of advice provided is evaluated prior to the triennial renewal of the contract. Meetings with the advisors to discuss treasury management issues are held on a regular basis.

The use of Financial Instruments for the Management of Risks

Currently, Local Authorities (including the PFCC's) legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Act is not sufficiently explicit.

In the absence of any explicit legal power to do so, the Commissioner has no plans to use derivatives during 2025/26. Should this position change, the Commissioner may seek to develop a detailed and robust risk management framework governing the use of derivatives, but this change in strategy will require explicit approval. A derivative is a financial security with a value that is reliant upon or derived from, an

Key Messages

The cash flow forecast is maintained for a minimum rolling 12 months. This allows assessment of the ability to invest longer term and identifies areas where short term borrowing may be required.

Investment Strategy (Continued)

underlying asset or group of assets. The derivative itself is a contract between two or more parties, and the derivative derives its price from fluctuations in the underlying asset.

Liquidity of investments

The investment strategy must lay down the principles which are to be used in determining the amount of funds which can prudently be committed for more than one year i.e., what MHCLG defines as a long-term investment. (The commissioner has set this limit at £2m).

The Financial Services team use a cash flow forecasting spreadsheet to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Commissioner being forced to borrow on unfavourable terms to meet his financial commitments. For the Commissioner, the total of investments over one year in duration are limited to £2m with a maximum duration of three years. This policy balances the desire to maximise investment returns, with the need to maintain the liquidity of funds.

Under current market conditions there is still little opportunity to generate significant additional investment income by investing in longer time periods over one year. However, as always, investment plans should be flexible enough to respond to changing market conditions during the year. The estimate of investment income for 2025/26 amounts to £1.015m (£1.144m 2024/25) and actual investment performance will be reported regularly to the Commissioner and will be provided to members of the Joint Audit Committee as background information to provide guidance and support when undertaking scrutiny of Treasury Management procedures.

Key Messages

The 'Treasury Management Practices' statement is updated each year, scrutinised by the Joint Audit Committee and published on the Commissioner's website alongside this strategy.

Treasury Risk and Treasury Management Practices

The Commissioner's approach to risk is to seek optimum returns on invested sums, taking into account at all times the paramount security of the investment. The CIPFA Code of Practice and Treasury Management Practices sets out in some detail defined treasury risks and how those risks are managed on a day to day basis. The CIPFA Code of Practice on Treasury Management recommends the adoption of detailed Treasury Management Practices (TMPs). As outlined above, the Treasury Management Code and Prudential Code were updated and additional guidance notes have now been received. The TMP's have been updated. The guidance from CIPFA recommends that TMPs should cover the following areas:

- Risk Management
- Performance Management
- Decision Making and Analysis
- Approved Instruments
- Organisation, Segregation of Duties and Dealing Arrangements
- Reporting and Management Information Requirements
- Budgeting, Accounting and Audit
- Cash and Cash Flow Management
- Money Laundering
- Training and Qualifications
- Use of External Service Providers
- Corporate Governance

Treasury Management is a specialised and potentially risky activity, which is currently managed on a day-to-day basis by the Financial Services Team under authorisation from the PFCC Chief Finance Officer as part of a shared service arrangement for the provision of financial services. The training needs of treasury management staff to ensure that they have appropriate skills and expertise to effectively undertake treasury management responsibilities is addressed on an ongoing basis. Specific guidance on the content of TMPs is contained within CIPFA's revised code of Practice for Treasury Management. Accordingly, the TMPs have been reviewed in detail and where necessary amendments have been made to bring the TMPs into line with The Code.

Key Messages

The PFCC currently has no external debt and does therefore not need to set limits on the maturity of debt in each period.

Treasury Management Prudential Indicators

The key objectives of The Code are to ensure, within a clear framework, that Capital investment plans are affordable, prudent and sustainable (or to highlight, in exceptional cases, that there is a danger this will not be achieved so that the Commissioner can take remedial action). To demonstrate that Authorities have fulfilled these objectives, the Prudential Code sets out the Indicators that must be used. The indicators required by The Code are designed purely to support local decision making and are specifically not designed to represent comparative performance indicators.

The treasury management Indicators are not targets to be aimed at but are instead limits within which the treasury management policies of the Commissioner are deemed prudent. These cover three aspects:

1. Maturity Structure of Borrowing

It is recommended that upper and lower limits for the maturity structure of borrowings are calculated as follows:

Period of Maturity	Upper Limit %	Lower Limit %
Under 12 months	100%	0.00
12 months and within 24 months	100%	0.00
24 months and within 5 years	100%	0.00
5 years and within 10 years	100%	0.00
10 years and above	100%	0.00

This indicator is primarily applicable to organisations, which have undertaken significant levels of borrowing to finance their capital programmes in which case it is prudent to spread the profile of repayments to safeguard against fluctuations of interest payments arising from having to refinance a large proportion of the debt portfolio at any point in time. During 2012/13 the Commissioner repaid all outstanding external borrowing and as a result there is currently no requirement to apply stringent limits to the maturity profile of existing debt.

Key Messages

Compliance with the indicators will be presented to the PFCC Public Accountability Conference and the Joint Audit Committee in the quarterly Treasury Activities report.

Treasury Management Prudential Indicators (Continued)

2. Principal sums invested for periods longer than a year

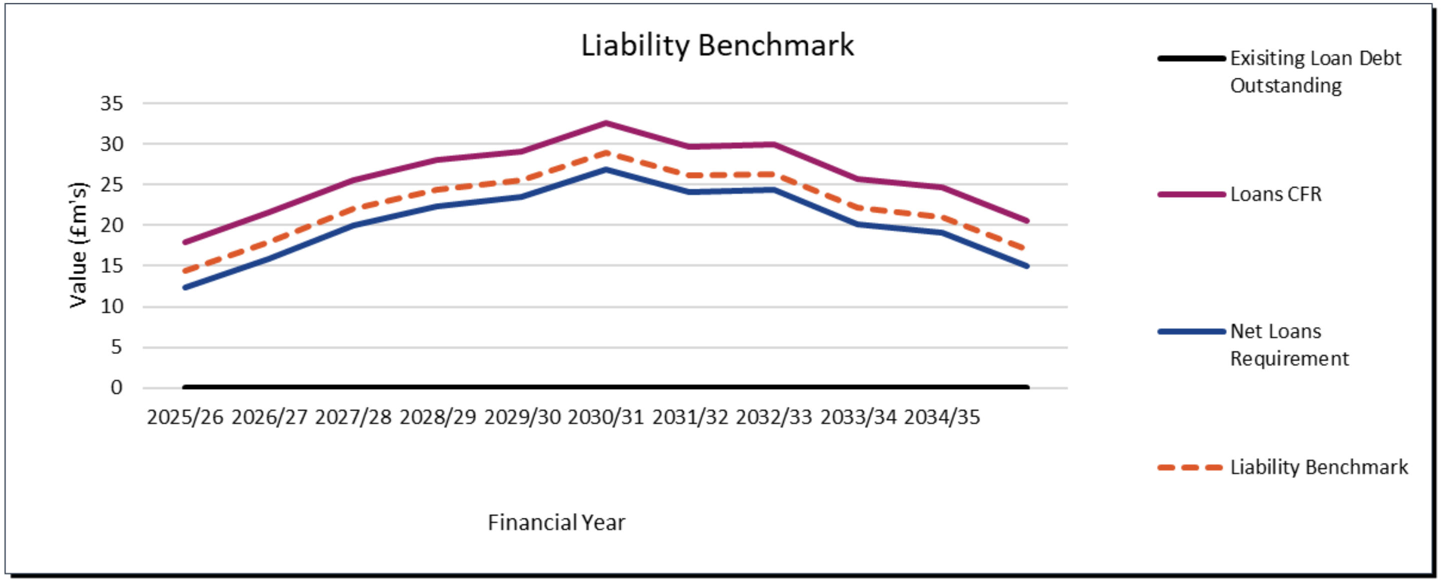
The purpose of this indicator is to contain the Commissioner's exposure to the possibility of loss that might arise as a result of having to borrow short term at higher rates or losses by seeking early repayment of its investments.

Price Risk Indicator	2023/24	2024/25	2025/26	2026/27	2027/28
Limit on principal invested beyond one year	£2.000m	£2.000m	£2.000m	£2.000m	£2.000m

3. Liability Benchmark

The 2021 code requires Authorities to define their own 'Liability Benchmark' which looks at the net management of the PFCC's overall treasury position. The aim of the indicator is to support in the management of treasury risks, namely refinancing risk, interest rate and credit risk. It does this through profiling the borrowing portfolio close to the plotted liability benchmark position.

The graph below shows that the current position for the Police Fire and Crime Commissioner is one of no external debt but a loan requirement just below the capital financing requirement. The gap to the external loans of zero represents the under borrowed position / internal borrowing undertaken.



Key Messages

Setting, Revising, Monitoring and Reporting

Prudential Indicators, other than those using actual expenditure taken from audited statements of accounts must be set prior to the commencement of the financial year to which they relate. Indicators may be revised at any time, and must, in any case, be revised for the year of account when preparing indicators for the following year. The PFCC Chief Finance Officer has a prescribed responsibility under The Code to ensure that relevant procedures exist for monitoring and reporting of performance against the indicators. The Prudential Indicators when initially set and whenever revised, must be approved by the body which approves the budget, i.e. The Commissioner at his Public Accountability Conference.

Other Prudential Indicators 2025/26

As per the 2021 CIPFA Prudential Code for Capital Finance and the accompanying guidance notes the Commissioner is required to produce a number of indicators to assist understanding and to evaluate the prudence and affordability of the capital expenditure plans and the borrowing and investment activities undertaken in support of this.

Capital Expenditure and Capital Financing

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on council tax.

Capital Expenditure	2023/24 Actual £m	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Capital Expenditure	4.061	6.175	4.885	5.972	5.102

Capital Financing	2023/24 Actual £m	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Capital Receipts	0.128	2.231	0.000	0.000	0.000
Government Grants	1.728	0.000	0.000	0.000	0.000
Revenue Contributions	2.193	2.917	0.799	0.525	0.487
Total Financing	**4.049**	**5.148**	**0.799**	**0.525**	**0.487**
Borrowing*	0.012	1.027	4.086	5.447	4.615
Total Funding	**0.012**	**1.027**	**4.086**	**5.447**	**4.615**
Total Financing and Funding	**4.061**	**6.175**	**4.885**	**5.972**	**5.102**

* In the current financial climate the decision has been taken to borrow internally rather than from the PWLB which will be reflected in the capital financing requirement indicator.

Key Messages

Capital Finance Requirement – 'The mortgage you are yet to take'.

Minimum Revenue Provision – 'Annual Mortgage repayments'.

The Authorised Limit is a statutory limit (Local Government Act 2003) above which the Commissioner has no authority to borrow.

Other Prudential Indicators 2025/26 (Continued)

Capital Financing Requirement

The Capital Financing Requirement (CFR) shows the difference between the capital expenditure and the revenue or capital resources set aside to finance that spend. The CFR will increase where capital expenditure takes place and will reduce with the Minimum Revenue Provision (MRP) made each year from the revenue budgets.

Capital Financing Requirement	2023/24 Actual £m	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Balance B/fwd	21.468	20.799	21.090	24.278	28.346
Plus Capital Expenditure financed from borrowing	0.012	1.027	4.086	5.447	4.615
Less MRP for Debt Redemption	(0.681)	(0.737)	(0.899)	(1.380)	(2.050)
Balance C/Fwd	**20.799**	**21.089**	**24.277**	**28.345**	**30.911**

Authorised Limit

This represents a control on the maximum level of external debt. Whilst not desired it could be afforded by the authority in the short term but is not sustainable in the longer term. The Authorised Limit gauges events that may occur over and above those transactions which have been included in the Operational Boundary. The Authorised Limit must not be breached.

Authorised Limit for External Debt	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Borrowing	23.598	24.187	27.714	31.935	34.500
Other Long Term Liabilities	3.701	3.402	3.064	2.911	2.911
Total Authorised Limit	**27.299**	**27.589**	**30.778**	**34.846**	**37.411**

Key Messages

The Operational Boundary limit is not an absolute limit of external debt and may be exceeded temporarily.

Currently the Commissioner has no external borrowing.

Other Prudential Indicators 2025/26 (Continued)

Operational Boundary

The Operational Boundary is a limit beyond which external debt is not normally expected to exceed. This limit is not an absolute limit but it reflects the expectations of the level at which external debt is not normally expected to exceed.

Occasionally, the Operational Boundary may be exceeded (but still not breach the Authorised Limit) following variations in cash flow. Such an occurrence would follow controlled treasury management action and may not have a significant impact on the prudential indicators when viewed all together. Consistent with the Authorised Limit, the PFCC Chief Financial Officer has delegated authority, within the total Operational Boundary, to effect movement between the separately identified and agreed figures for External Borrowing and Other Long-term Liabilities. Any such changes will be reported to the Commissioner and the Joint Audit Committee meeting following the change.

Operational Boundary for External Debt	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Borrowing	22.098	22.687	26.214	30.435	33.000
Other Long Term Liabilities	3.701	3.402	3.064	2.911	2.911
Total Operational Boundary	**25.799**	**26.089**	**29.278**	**33.346**	**35.911**

Actual External Debt

The Commissioner's actual external debt as at 31 March 2025 will be £3.402m, comprising only of other long-term liabilities of £3.402m in relation to the PFI. It is unlikely that the Commissioner will actually exercise external borrowing until there is a change in the present structure of investments rates compared to the costs of borrowing. It should be noted that all previous external borrowing with the PWLB (Public Works Loans Board) was repaid during 2012/13.

Key Messages

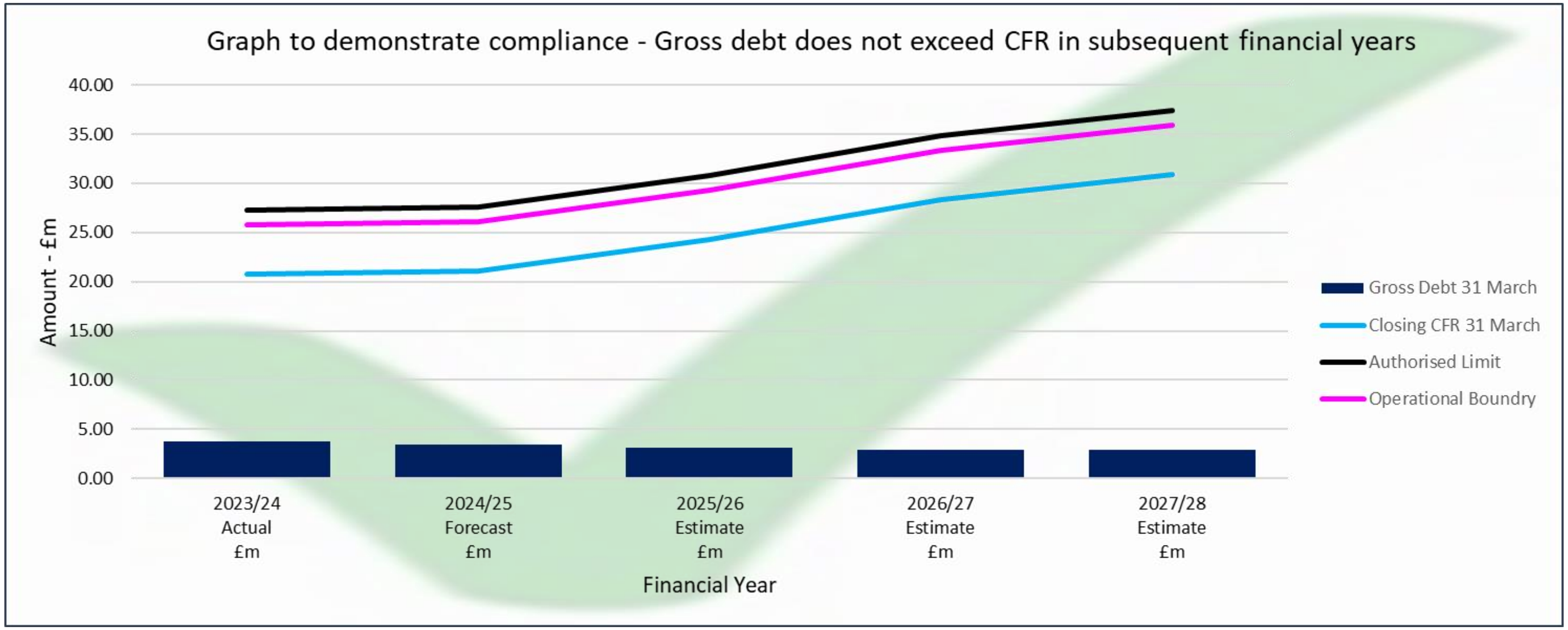
Other Prudential Indicators 2025/26 (Continued)

Gross Debt and the Capital Financing Requirement

The Commissioner should only borrow to support a capital purpose, and borrowing should not be undertaken for revenue or speculative purposes. Gross debt, except in the short term, should not exceed CFR in the preceding year plus the estimates for CFR for the three subsequent years.

Gross Debt and Capital Financing Requirement	2023/24 Actual £m	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Closing CFR 31 March	20.799	21.089	24.277	28.345	30.911
Gross Debt 31 March	3.701	3.402	3.064	2.911	2.911

Using the figures from the above stated indicators the graph below demonstrates compliance as gross debt remains below CFR, authorised and operational limits for all years presented:



Other Prudential Indicators 2025/26 (Continued)

Ratio of financing costs

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.

Financing Costs include the amount of interest payable in respect of borrowing or other long-term liabilities and the amount the Commissioner is required to set aside to repay debt, less interest and investments income. The Commissioner's financing costs can be both positive and negative dependent on the relative level of interest receipts and payments.

The actual Net Revenue Stream is the 'amount to be met from Non-specific government grants and local taxation' taken from the annual Statement of Accounts, budget, budget proposal and medium-term financial forecast. These figures are purely indicative and are in no way meant to indicate planned increases in funding from Council Tax.

Ratio of Financing Costs to Net Revenue Stream	2023/24 Actual £m	2024/25 Forecast £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Investment income	1.009	1.144	1.015	0.660	0.640
MRP	0.681	0.737	0.899	1.380	2.050
Financing Costs	**-0.328**	**-0.407**	**-0.116**	**0.720**	**1.410**
Net Revenue Stream	130.475	138.306	147.275	149.703	153.053
Ratio	**-0.251%**	**-0.294%**	**-0.079%**	**0.481%**	**0.921%**

Key Messages

The broad aim of the Minimum Revenue Provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

Calculation will be based on Option 1 for pre 2008/09 debt and option 3 thereafter.

The Commissioner is also permitted to make additional voluntary payments if required (voluntary revenue provision VRP) although there are no plans to make any in the medium-term forecasts.

Annual MRP Statement for 2025/26

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on authorities to make a prudent provision for debt redemption, this is known as the Minimum Revenue Provision (MRP). The Local Government Act 2003 requires the Authority to “have regard” to The Ministry of Housing, Communities and Local Government’s Guidance on Minimum Revenue Provision most recently issued in 2018. This sum known as the MRP is intended to cover the principal repayments of any loan over the expected life of a capital asset.

The Ministry of Housing, Communities and Local Government recommends that before the start of the financial year, The Commissioner approves a statement of MRP policy for the forthcoming financial year. This is now by agreement encompassed within the TMSS. The broad aim of the policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure, which gave rise to the debt, provides benefits.

The four options available for calculating MRP are set out below:

- Option 1 – Regulatory Method based on 4% of the CFR after technical adjustments.
- Option 2 – CFR Method, based on 4% of the CFR with no technical adjustments.
- Option 3 – Asset Life Method, spread over the life of the asset being financed.
- Option 4 – Depreciation Method, based on the period over which the asset being financed is depreciated.

It is proposed that The Commissioner’s MRP policy for 2025/26 is unchanged from that of 2024/25 and that the Commissioner utilises option 1 for all borrowing incurred prior to the 1st April 2008 and option 3 for all borrowing undertaken from 2008/09 onwards, irrespective of whether this is against supported or unsupported expenditure. This policy establishes a link between the period over which the MRP is charged and the life of the asset for which borrowing has been undertaken. It is proposed that a fixed instalment method is used to align to the Commissioner’s straight-line depreciation policy. MRP in respect of PFI and leases brought on to the balance sheet under the 2009 accounting requirements will match the annual principal repayment for the associated deferred liability. This will not result in an additional charge to the Commissioner’s revenue budget as this is part of the capital repayment element of the PFI unitary charge. There have been some additional voluntary contributions of MRP made in previous years that are available to reduce the revenue charges in later years. No such overpayments or withdrawals are planned for 2025/26.

Key Messages

Changes to the 2025/26 TMSS prudential indicators and MRP will be required once the detailed impact of IFRS16 is known at the 2024/25 financial year end.

A new International Financial Reporting Standard 16 (IFRS16) has been implemented in the 2024/25 financial year, introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is low value. This will require an adjustment to the Capital Financing Requirement, external debt (other long-term liabilities), the Authorised Limit and the Operational Boundary, to allow for those leases which were previously off-balance sheet, being brought onto the balance sheet.

The related assets and liabilities are brought onto the balance sheet increasing long-term liabilities, and as a result this will increase the debt liability. Generally accepted accounting practice requires these changes to be accounted for retrospectively, with the result that an element of the rental or service charge payable in previous years (and previously charged to revenue accounts) will be taken to the balance sheet to reduce the liability. On its own, this change in the accounting arrangements would result in a one-off increase to the CFR and an equal increase in revenue account balances. This is not seen as a prudent course of action and the code guidance aims to ensure local authorities are in the same position as if the change had not occurred. This is done by recommending the inclusion in the annual MRP charge of an amount equal to the amount that has been taken to the balance sheet to reduce the liability, including the retrospective element in the first year.

Currently, it is not possible to detail the adjustment figures until detailed data gathering has been completed at the end of the 2024/25 financial year. Following this It will be necessary to amend the MRP, Authorised Limit and Operational Boundary limits, this will be amended mid-year once the detailed impact is known.

Appendix A

Creditworthiness Policy

The lending criteria set is designed to ensure that, in accordance with The Code of Practice, the security of the funds invested is more important than maximising the return on investments. Following consultation with the Commissioner's treasury advisors there are no amendments to the criteria used in determining approved investment counterparties for 2025/26 compared to those in operation for 2024/25. However there has been a change in the methodology to applying the matrix for placing investments.

The criteria for approving investment counterparties have been devised, grouped, graded and investment limits attached as detailed in Schedule A below. The individual, group and category limits are based on a percentage of the potential maximum sums available for investment during the year of up to £40m. The counterparty limits for 2025/26 are essentially the same as the limits for 2024/25, however, the methodology used in applying the matrix for the placement of investments has been fully aligned with Link Asset Services methodology. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays: -

1. "watches" and "outlooks" from credit rating agencies;
2. CDS spreads that may give early warning of changes in credit ratings;
3. Sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned Watches and Outlooks, in a weighted scoring system which is then combined with an overlay of CDS spreads. The end-product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Commissioner to determine the suggested duration for investments. The Commissioner will, therefore, use counterparties within the following durational bands;

- Yellow 5 years *
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Commissioner uses will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

UK Government is considered the safest place to invest as it has never defaulted and therefore minimum credit ratings do not apply. All investments are Sterling; therefore, the Commissioner is not exposed to any foreign exchange / currency risk. The Commissioner has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA.

All credit ratings are monitored on an ongoing basis in conjunction with the Commissioner's treasury management advisors, Link Asset Services Ltd, who provide timely updates and advice on the standing of counterparties. The Commissioner is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service. Whilst credit ratings are central to the counterparty risk evaluation process, other factors such as the prevailing economic climate are taken into consideration when determining investment strategy and at the time when individual investment decisions are made. If this ongoing monitoring results in a significant change to counterparty selection during the year, the Commissioner and the Joint Audit Committee will be advised through the quarterly activities report.

- If a downgrade results in the counterparty / investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively by Link. Extreme market movements may result in the downgrade of an institution or removal from the Authority's lending list.

Sole reliance will not be placed on the use of this external service. In addition, the Commissioner will also use market data and market information, as well as information on any external support for banks to help its decision-making process.

Schedule A – Counterparty Groupings and Associated Limits

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

Category	Colour (and long-term rating where applicable)	Money limit	Transaction limit	Time limit
Banks *	Yellow		£2m	3yrs
UK Banks	Purple		£2m	2yrs
UK Banks	Orange		£2m	1yr
UK Banks – part nationalised	Blue	£20m	£2m	1yr
UK Banks	Red		£2m	6mths
UK Banks	Green		£2m	100 days
UK Banks	No Colour	Not to be used	0	0
Non-UK Bank**	Orange/Blue/Purple	£6m	£2m	1yr
Non-UK Bank**	Red	£6m	£2m	6mths
Commissioner's banker (where "No Colour")	No Colour	£1m	£1m	1 day
DMADF	UK sovereign rating	unlimited	unlimited	6 months
Local authorities	n/a	unlimited	£4m	1yr
Housing associations	Colour bands	£10m	£2m	As per colour band
Category	**Fund rating*** **	**Money limit**	**Transaction limit**	**Time limit**
Money Market Funds CNAV	AAA	£20m	£4m	liquid
Money Market Funds LVNAV	AAA	£20m	£4m	liquid
Money Market Funds VNAV	AAA	£20m	£4m	liquid

* The yellow colour category is for UK Government, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt.

** Non-UK Bank (£6m) is within the total category limit of £20m for all banks.

*** Please note: "fund" ratings are different to individual counterparty ratings; Pooled funds are in essence the same as AAA money market funds but they require 3 days' notice for the return of our funds. This slight reduction in cash flow is rewarded by a slightly increased interest rate. Link Asset Services Ltd suggest that these funds are used for longer term investments and the ordinary money market funds to manage cash flow

Creditworthiness.

Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Commissioner will not set a minimum rating for the UK.

Credit Default Swap (CDS) prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government in the autumn of 2022, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Commissioner has access to this information via its Link-provided Passport portal.

Limits

Due care will be taken to consider the exposure of the Commissioner's total investment portfolio to non-specified investments, countries, groups and sectors.

a. Non-specified treasury management investment limit. The Commissioner has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being 10% (£2m) of the total treasury management investment portfolio.
b. Country limit. The Commissioner has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA from Fitch.
c. No more than £6 Million (15% at full capacity) will be placed with any non-UK country at any time;
d. Sector limits will be monitored regularly for appropriateness.
e. Whilst these limits also apply to the Commissioner's own bankers in the ordinary course of business if that bank's lowest rating falls below 'A-' balances will be maintained for operational purposes only and minimised on a daily basis. A non-investment limit of £1m will apply in such circumstances.

DAVID ALLEN
CUMBRIA'S POLICE, FIRE AND CRIME COMMISSIONER

Request for a Police, Fire & Crime Commissioner Decision

SECTION 1

Please identify who is requesting the decision:			
OPFCC Decision	**Y**	**Decision Number:**	**PF 002/2025**
CCFRA Decision	**N**	**Decision Number:**	**CF xxxx/yyyy**
Constabulary Decision	**Y**	**Decision Number:**	**CC xxxx/yyyy**

(Please indicate whether this is a PART 1 or PART 2 decision (For Part 2 decisions, only the Section 1 is to be published)

PART 1 Decision:	✓	**PART 2 Decision:**	

DECISION TITLE: 2025/26 Budget, Medium Term Financial Forecast, Reserves Strategy and Charging Policy

Executive Summary:

The Commissioner is asked to approve the revenue budget, capital budget, reserves strategy and charging policy for 2025/26 and the level of council tax to support the budget, having taken into account the advice of the Constabulary and OPFCC Chief Finance Officer in their report on the robustness of the proposed budgets. The papers provide provisional financial information for the years 2025/26 to 2029/30 and for 10 years in respect of the capital programme and reserves.

Recommendation:

The Commissioner is asked to:

- Note the attached Constabulary and OPFCC Chief Financial Officer's report on the robustness of the budget 'the Local Government Act 2003 Requirements' report (item 09a), taking into account their advice in respect of his decisions on the proposed budgets.

- Appendix B of the attached report 'Budget 2025/26 and Financial Forecasts 2026/27 to 2029/30 (item 09b) sets out the budget resolution for decision by the Commissioner in order to formally approve the level of council tax precept. In the context of the budget resolution, it is recommended that:
  a) The revenue budgets outlined in the report and appendices be approved, having regard to the Local Government Act 2003 Requirements report
  b) That the budget requirement for 2025/26 be set on the basis of the amount within the budget resolution at appendix B
  c) The council tax for Band D properties be approved at £324.00 for 2025/26, an increase of £13.95 or 4.5%, being the amount within the budget resolution

- The commissioner is also asked to approve the Reserves Strategy for 2025/26 which is provided as a separate report (item 09c).

- The commissioner is also asked to approve the Charging Report for 2025/26 which is provided as a separate report (item 9d)

Police, Fire & Crime Commissioner I confirm that I have considered whether or not I have any personal or prejudicial in this matter and take the proposed decision in compliance with the Code of Conduct for Cumbria Police, Fire & Crime Commissioner. Any such interests are recorded below.		
I hereby:	approve	the recommendations as set out above.
	do not approve	
Delete as appropriate:		
Police, Fire & Crime Commissioner / Chief Executive (delete as appropriate) **Signature:**	**Date:**	

For OPFCC Office Use only:

Date of publication of decision:	

Each section below must be completed prior to submission to the Commissioner for decision.

ORIGINATING OFFICER DECLARATION:

I confirm that this report has been considered by the Chief Officer Group / OPFCC Executive Team / CCFRA Executive Team and that relevant financial, legal and equalities advice has been taken into account in the preparation of this report. **Signed:** **Date:**

CHIEF OFFICER APPROVAL (where applicable)

Chief Constable / Chief Fire Officer (delete as appropriate) I have been consulted about the proposal and confirm that I am satisfied that this is an appropriate request to be submitted to the Police, Fire and Crime Commissioner. **Signature:** **Date:**

OPFCC CHIEF OFFICER APPROVAL

Chief Executive (Monitoring Officer) / Chief Finance Officer (Deputy Chief Executive) (delete as appropriate) I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Police, Fire and Crime Commissioner / Chief Executive (delete as appropriate). **Signature:** **Date:**

Media Strategy The decision taken by the Police, Fire & Crime Commissioner may require a press announcement or media strategy.	
Will a press release be required following the decision being considered?	YES / NO
If yes, has a media strategy been formulated?	YES / NO
Is the media strategy attached?	YES / NO
What is the proposed date of the press release:	

Public Access to Information Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the PFCC website within 5 working days of approval. Any facts/advice/recommendations that should not be made automatically available on request should not be included in Part 1 but instead in the Part 2 section of the form. Deferment is only applicable where release before that date would not compromise the implementation of the decision being approved.	
Is the publication of this form to be deferred?	NO
Until what date (if known):	
If yes, for what reason:	
If this is a **Part 2 Decision,** has the Part 2 element of this form been completed	YES / NO

Public Accountability Conference 13 February 2025
Agenda Item 09a

Local Government Act 2003 Requirements Report

Report of the OPFCC Chief Finance Officer and Constabulary Chief Finance Officer

1. Introduction

1.1 The Local Government Act 2003 requires the Chief Financial Officer to report formally on the robustness of the budget for consideration immediately prior to setting the Budget and Council Tax. The report aims to ensure that the Commissioner is aware of the opinion of the Chief Financial Officer regarding the robustness of the budget as proposed, including the longer-term revenue and capital plans, the affordability of the capital programme when determining prudential indicators and the adequacy of general balances and reserves. The Commissioner is required to take account of this report when determining the budget.

2. Robustness of the Estimates, Medium Term Plans and Tax Setting Calculations

2.1 Preparation for the budget, including decisions on key budget assumptions, takes place between November and February, with the budget being set 14 months ahead of the end of financial year to which it relates. Whilst the final recommended budget will always take account of the latest forecasts, the nature of the budget cycle means that there will always be some level of variation between the budget and actual expenditure. This risk is managed by ensuring that the budget process and estimates are robust and that balances and reserves are set at a level that takes account of financial and operational uncertainty. In giving a positive opinion on the robustness of the estimates and tax setting calculations reliance is placed on the Commissioner's overall arrangements for financial management.

2.2 The process for preparing the estimates involves a budget proposal from the Constabulary. The proposal is supported by detailed financial estimates prepared in accordance with guidance issued by the Constabulary Chief Finance Officer. Estimates are prepared under the professional supervision of the Group Accountant and Financial Services Manager and with the support of Financial Services Officers working in conjunction with nominated budget-holders. Estimates are subject to scrutiny by financial services staff and the Constabulary's Chief Officer Group, prior to submission to the Constabulary Chief Finance Officer for further review.

2.3 Working papers for review include a full reconciliation between the base budget for the previous financial year and the proposed budget for the new financial year for each section of the budget. This is accompanied by the detail of the management accounts. The working papers support an analytical review of the reasonableness of variations between financial years against budget assumptions. The overall budget consolidates the Constabulary's budget proposal with detailed estimates of the Commissioner's direct expenditure; budgets commissioned with other third parties and estimates of income. The most significant areas of income are in respect of government grant and council tax. Funding is calculated using actual information from the settlement and unitary authority notification of the tax base.

2.4 In addition to detailed estimates for the immediate financial year, a Medium-Term Financial Forecast (MTFF) is prepared covering five financial years, which is in accordance with best practice as set out in the financial management code. Key financial risks identified within the forecast are included within the Commissioner's strategic risk register and are subject to review based on the likelihood and severity of the risk. This ensures that the medium-term profile of income and expenditure is based on a sound review of risk and uncertainty that informs budget assumptions and the level of provisions and reserves.

2.5 Internal audit undertake cyclical reviews of the main financial systems and processes. Both internal and external audit provide an annual opinion on governance and internal controls. The internal auditors carry out a review of financial sustainability as part of their annual programme. In addition, the external auditor undertakes a review of financial resilience as part of the value for money conclusion within the audit findings report. Collectively, this work provides assurance about the accuracy and reliability of the financial information used in the budget setting process.

2.6 On the basis of the overall arrangements for financial management, and audit of those arrangements, we can confirm that in our view the Commissioner has robust procedures in place for determining estimates, medium term plans and the Council Tax requirements.

3. Determination of the level of resources available

3.1 The resources available to the Commissioner to support expenditure primarily derive from Home Office Police Grant (£80.049m). The next most significant funding source is Council Tax (£61.736m). The balance of expenditure is funded from specific grants, reserves and fees and charges. The 2025/26 budget is based on actual government grant settlement figures and unitary authority notifications of the Council Tax base. As such, a high degree of assurance can be provided in respect of the level of certainty for 2025/26 in respect of funding. This level of assurance cannot be given to resources beyond 2025/26. A sensitivity analysis of key aspects of the budget is provided at Appendix A.

3.2 In autumn 2021 the government completed a 3-year comprehensive spending review (CSR) which covered financial years 2022/23 to 2024/25. In December 2024 the provisional settlement, and then in January 2025 the final settlement, detailed figures were provided to forces for the 2025/26 financial year only with a promise of a further CSR, which is hoped to cover a longer time period expected during 2025. The 2025/26 grant settlement included funding for maintenance of the additional 169 police officers provided in Cumbria through the Government's pledge to provide an additional 20,000 officers nationally, known as Operation Uplift. Cumbria's share of the operation uplift officers amounted to 169 additional officers, taking the police officer establishment from 1,165 FTE to 1,334 FTE. In 2025/26, a proportion of grant funding (£3.0m) is ringfenced and is dependent on successfully maintaining the 169 officer. In addition, a further allocation of 25 FTE (recruited during 2023/24 and 2024/25) to further support the national programme has been confirmed and a specific ringfenced grant of £1.3m has been provided for the maintenance of these officers in 2025/26. The police officer establishment contained within the 2025/26 budget and MTFF is therefore based on 1,359 FTE.

3.3 The grant settlement for 2025/26 also included an indicative specific ringfenced grant of £1.7m in relation to Neighbourhood Policing. Final grant conditions are currently being evaluated in relation to this grant but it has been assumed at this stage that the grant will be spent on additional resources in the budget.

3.4 The grant settlement for 2025/26 also provided the following ringfenced grants and whilst it has been assumed that this funding will continue in future years, this is not guaranteed, collectively, these factors mean that the calculation of grant funding forecasts beyond the 2025/26 financial year are uncertain:

- Pensions Grant £3.6m to offset much of the financial impact of increased police officer pension contributions which increased from 31% to 35.3% from 1st April 2024.

- National Insurance Grant £2.1m to offset much of the financial impact of increased national insurance contributions, announced in the autumn statement which come into effect from 1st April 2024

3.5 In recent years the Government has protected core police grant funding, but only on a cash basis, whilst providing Commissioners with increased flexibility to raise council tax to fund pay increases and inflation. In relation to future Council Tax forecasts, this gives rise to a risk regarding the sustainability of local taxpayers supporting above inflation precept rises to maintain services over the longer term. Police and Crime Commissioners were given the flexibility to increase council tax by up to £14 for a band D property in 2025/26. This was increased from the maximum of £10 previously outlined in the spending review. The MTFF assumes that the higher level applied in 2025/26 will continue over the life of the MTFF. There is a risk that these forecast levels may not be supported by public consultation or may be reviewed by government in the future. This would potentially lead to an increase in savings required.

3.6 Each of the key issues with regard to the availability of resources, and the approach taken to managing the associated financial risk, is set out below. It is our opinion that the approach taken, alongside the Commissioner's position with respect to reserves and balances, is both prudent and robust in view of the level of risk.

Police, Fire and Crime Panel Veto

3.7 The arrangements for budget setting provide the Police, Fire and Crime Panel with a veto over the level of precept increase. The panel may determine that the precept increase is too high or too low. In these cases, the Commissioner is required to either reduce or increase the precept. It is for the Commissioner to determine the extent to which the precept is revised, having considered the views of the panel. For the 2025/26 budget the panel determined not to exercise its powers of veto and the budget is presented based on the precept proposal that was supported by the panel of a £13.95 increase on the band D council tax, which represents an increase of 4.50%. The position of the panel in respect of future year precept increases will not be known until January of the relevant financial year, presenting a risk in respect of the precept increase assumptions in the medium-term budget.

Legacy Council Tax Grants

3.8 Council tax discounts are available to support low income households with the cost of their council tax liabilities. They are administered locally on the basis of schemes developed by unitary councils. Because these benefits were previously administered nationally, and the impact of the change reduces the local tax base and council tax income, a national government grant compensates precept and billing authorities for the funding loss. Further compensation is provided for financial years where decisions have been taken to freeze the council tax precept. Collectively these grants are known as Legacy Council Tax Grants. The amount of grant for Cumbria is £4.85m. This figure has remained constant for a number of years and it is assumed that this will continue over the length of the Medium-Term Financial Forecast.

3.9 There is a level of uncertainty in respect of longer-term methodologies for distributing this funding and the mechanism through which the total amount of grant funding will be determined nationally. In addition, the calculation of the total national funding and its distribution is based on a number of assumptions. Where local circumstances vary from these assumptions, there will be a financial implication.

3.10 The level of government grant is set at the time of the financial settlement. The main risk in respect of the level of national funding is therefore in respect of future years grant allocations and the extent to which this funding is impacted by overall reductions in government department expenditure allocations. It is also unclear whether any future national review of police funding will result in this and other specific grants being rolled into formula grant. This would result in a change in the distribution methodology with potential impacts from the 2026/27 settlement onwards.

3.11 A further risk is the potential for an increase in local claims for council tax discount. Experience of the last three years suggests that this risk is low as the move to local schemes has not resulted in any significant changes between former benefit and current discount applicants. It is however, known that there are gaps between the proportion of households eligible for discounts and the proportion that actually claim. This risk is heightened by the financial hardships being felt by many households in the current economic climate. Should this risk materialise, there will be an implication for the collection funds managed by the unitary authorities that will be shared with all precepting bodies. A high level estimate of the impact of this risk suggests that a 10% increase in claims would have a financial implication of around £400k for the Commissioner's budget.

Council Tax Base & Collection Fund Surplus and Deficits

3.12 The amount of council tax income is dependent on the level of council tax and the council tax base – the number of households in Cumbria, within property bands A to G, with a liability to pay their council tax bill. The council tax base is known for 2025/26 but may go up or down compared to the forecasts for the four final years of the medium-term financial forecast. The medium-term forecast assumes a 1% annual increase in tax base. Estimates are revisited on an annual basis.

3.13 In any single year the actual council tax income collected from households by unitary councils can be higher or lower than the amount forecast at the time of setting the budget. Any variation is shared with precepting authorities and will impact on the total amount of council tax income in future years. The factors influencing the council tax base and actual income collected are complex and difficult to forecast. There is therefore always a risk that income does not meet budgeted amounts. At this stage there has been no forecast budget included for surplus or deficit in future years.

Council Tax/Council Tax Grant Risk

3.14 Collectively, the factors above mean that the ability to accurately forecast council tax income and the local council tax grant, in the medium term, is complex, reducing the amount of assurance that can be provided from income forecasts particularly beyond 2025/26. However, a high degree of assurance can be provided with regard to the combined income from council tax and council tax grants for the current year. Whilst future income is less certain the finance team liaise closely with the Unitary Council's when setting these budgets to minimise the extent of this risk. Should any underachievement of income arise it is likely to be capable of being managed without having a material impact on the robustness of the budget or financial resilience.

National Funding Settlements

3.15 The budget for 2025/26 is presented based on notifications of the actual financial settlements. The funding settlement for 2025/26 was on the basis of a one year settlement, with no information currently available on future funding. A multi-year funding settlement is expected during 2025. The MTFF currently assumes that Home Office grant funding will be on a flat cash basis, meaning that annual increases have not been factored in.

3.16 In 2021 the Home Office announced its intention to review the Police Funding Formula, which is the mechanism by which funding is allocated across individual forces. There were subsequently delays experienced with this review, and there have been no further indications with this regard. The medium-term financial forecast currently assumes that any changes to formula funding will have a neutral impact on the budget or will be supported by sufficient transitional funding to allow time to implement required changes in operational services, as the new formula is not sufficiently developed to reach any conclusions on its effect. This is considered to be a balanced approach given the high level of uncertainty regarding the timing and impact of any changes to national funding formula.

Capital Grants and Capital Receipts

3.17 The capital budget has been developed as a 10-year programme. Government capital allocations are only given on an annual basis and in the settlement for 2022/23 the capital grant was removed altogether. Overall funding within the programme is also to some degree reliant on capital receipts and this presents some risk to funding given the economic climate and market conditions. However, the programme is now reliant on support from the revenue budget, supported by limited use of earmarked capital reserves and prudential borrowing, which have been factored into the revenue budget and MTFF at a level to ensure that the programme is balanced over the longer timeframe of 10 years. This provides a high degree of resilience in respect of available funding over the life of the medium-term financial forecast.

4. The affordability of Spending Plans

4.1 Revenue and Capital budget plans are subject to annual review to ensure that forecasts of resources remain robust and can support planned levels of expenditure. Whilst the process for developing budget estimates is comprehensive, there will always be a degree of risk and operational uncertainty in respect of expenditure forecasts. The affordability of the budget has to take account of financial risks and the actions that can be taken to mitigate that risk. In our view the Commissioner’s expenditure plans are affordable, taking account of the risks set out below and the plans for how they will be managed.

Capital Expenditure

4.2 The capital programme incorporates the delivery of two remaining major estates capital schemes. These are a longer term option to develop a scheme in West Cumbria to manage estates resilience issues within the west of the county in the context of the current PFI arrangement coming to an end in 2026 and a scheme of estate modernisation in relation to Hunter Lane, Penrith. All large capital schemes incorporate risks inherent in delivering to time and budget. The estates team are however highly experienced in the delivery of these type of schemes and have a strong track record of delivering projects within budget. Risks are captured within the estates risk register and are subject to regular review.

4.3 The capital programme to 2030 includes a significant number Digital Data and Technology (DDaT) capital schemes, including the implementation of a new Records Management System and the Emergency Services Communications Network. The experience of past financial years is that DDaT capital schemes can experience delays against the budget. The reasons for the delays are varied and include national schemes that have not progressed, local schemes that have been subject to changes in decision making and issues around capacity to deliver within the team. Whilst delays in capital schemes does not create a financial pressure, the consequent level of reserves can be subject to challenge in the context of budget cuts. There are also reputational implications for the quality of financial forecasting and management. To protect against these risks it will be important to understand the risks and issues inherent in the DDaT programme and ensure that delivery is effectively supported.

4.4 The capital programme is currently only sustainable on the basis of annual contributions from the revenue budget, a specific capital reserve for estate modernisation and an increased level of borrowing. In addition, any significant level of capital investment is also dependent on a combination of prudential borrowing, direct revenue contributions and capital receipts. The programme is however forecast over 10 years to ensure advanced financial planning can be managed and peaks in expenditure are identified at an early stage. As capital reserves are depleted, increasing support for the capital programme from the revenue budget (either through direct revenue contributions or servicing borrowing) will be required. The estimates for 6-10 years are built on a number of assumptions, which, particularly in rapidly changing sectors such as DDaT, are difficult to accurately predict. This means that projected costs in the later years of the capital programme become increasingly indicative and should be treated with caution.

Treasury Management

4.5 Treasury management has the potential to be an area of high budget risk that could have implications for the robustness of the budget should those risks materialise. The treasury management strategy statement provides assurance around the approach to investment and borrowing activity and the way the function is managed that mitigates against this risk. Estimates have been made around interest rate forecasts for both investments and borrowing. Any change in interest rates outside of these forecasts will have an implication on the medium term financial forecasts.

Capital Financing

4.6 The capital programme is financed through direct revenue contributions, capital grants, reserves and borrowing. The Capital Financing Requirement reflects an underlying need to borrow to finance capital schemes, but currently external borrowing has not been undertaken because internal cash flow balances are sufficient to fund schemes. Many of the internal balances are available as a result of the level of short-term reserves. As reserves are spent there will be an increasing need to borrow externally.

4.7 The underlying borrowing requirement is forecast at £21.1m at the end of the 2024/25 financial year. The exact timing of borrowing will depend on the extent to which capital schemes deliver to budget or are subject to slippage and the overall position on reserves. Borrowing will create a revenue implication in the form of interest charges and repayments that will be incorporated within the revenue budget, in line with cash-flow forecasts.

Inflation/Pay Awards

4.8 Inflationary pressures are currently more volatile than they have been for almost a generation as the world economy emerges from the pandemic and deals with the effects of the wars in Ukraine and Gazza. Against this background, at a local level pay costs are provided for within the budget on the basis of a 2.8% pay increase for 2025/26.

The future years of the MTFF assume a lower 2% per annum for the remaining years of the MTFF to 2029/30. Pay costs account for the by far the most significant element of the budget, which is therefore highly sensitive to variations from the budget assumption. For 2025/26 the majority of the non-pay budget lines have been increased by 2% for general inflation, with 2% in the remaining years of the MTFF, in line with Bank of England long term forecasts. There is a particular risk that pay awards will be higher than the amounts provided and that the current inflationary pressure is more prolonged than currently assumed, both of which have the potential to impact negatively on the financial position and would need to be managed through draw down of reserves in the short term.

Staffing Costs and Profiling

4.9 Within the budget employment costs are an area of budget that is highly sensitive to changes in the profile of staffing and difficult to forecast as a result of the complexities of and changes to terms and conditions that influence actual pay. Maintaining officer and staff numbers at a planned level can be operationally difficult as a result of the timing of turnover and lead in time to recruit replacements. Estimates of the costs of early retirement and redundancy have to be based on averages until the point in which individual staff are identified as part of the futures programme. These factors can cumulatively give rise to significant variations between budgeted costs for pay. Historically, there has been under spending against these budget heads, although more recently police officer pay budgets, in particular, have come under pressure. Pay budgets are based on detailed workforce plans and overtime targets, which are updated annually as part of the budget process.

4.10 Specific risks regarding the potential financial impact of meeting pensions obligations arising from the McCloud judgement and the implementation of the Emergency Services Network (ESN) have been specifically recognised and will continue to be closely monitored.

Savings Requirements/Budget Management

4.11 The overall savings requirement over 5 years to balance the budget is around £11m. However, given the uncertainties over future funding, planning for a range of financial scenarios is being undertaken through the Constabulary Futures Programme. Having delivered £28m of savings since 2010, additional savings will be challenging to deliver. Delivery of savings may also be constrained by Operation Uplift, which will require officer numbers to be maintained in the short - medium term and therefore confines savings opportunities to relatively small areas of the budget. Detailed discussions have taken place between the Commissioner and Chief Constable to identify areas where savings may be achieved. A number of potential savings initiatives are being pursued including reviews of specific business areas, reviewing the workforce mix, collaboration with other forces and public sector bodies, income generation, consolidating functions to increase capacity and, in particular, ensuring that the full benefits are realised from the investment in new technology. These savings plans will be further developed over the next year as part of a strategic work programme in the Constabulary, know as the Futures Programme and managed by the Deputy Chief Constable. In this context, the current savings requirement over the period of the MTFF is considered to be challenging but manageable, with decisions required within a relatively short term period to enable the budget and reserves strategy to be sustainable.

4.12 In respect of budget management, the 2024/25 budget is currently forecast to be broadly in line with the budget and therefore does not point to any fundamental weakness in the financial management process.

4.13 The overall financial position in 2025/26 does not present any material risks. However, the tightness of the budget position is indicative of a growing financial pressure, which will require careful management on an on-going basis.

5. General Balances and Reserves

5.1 General balances are held as a contingency against risks not provided for in the Commissioner's financial plans or other reserves and provisions. The level of balances, reserves and provisions are assessed annually to ensure they are adequate and take account of known financial risks. This is not a precise science and local circumstances, the strength of financial reporting arrangements and the Constabulary's track record in financial management is also a key influence on the actual potential of any risk materialising.

5.2 This report sets out the key risks that have been considered in presenting the budget, including any provision made for that risk. Some risks are currently unfunded whilst others have a level of provision that may be less than the full requirement. General balances should be at an appropriate level to provide cover for those risks. The Chief Finance Officer has set balances at £4.8m for 2025/26. This is around 3% of net expenditure and reasonable in the context of the budget risks set out in this report. The general balances are supported by a budget support reserve of £7m, which is intended, alongside savings plans as part of the futures programme, to manage medium term budget pressures arising from increasing demands and constrained funding. A further £2m of budget stabilisation, insurance and operational reserves and contingencies can be used to manage budget pressures and unforeseen events in year that are unable to be contained within the set budget, subsequently being replenished as part of the following year's budget process.

5.3 Additional cover is provided through the position on specific reserves. Whilst these are earmarked, a number of the reserves are not planned to be used for a number of years. This provides an additional level of resilience in the short term, although the use of these reserves for other purposes would have an opportunity cost in relation to the future ability to undertake the projects for which they were originally earmarked.

5.4 Based on the risk assessment, the Commissioner's general balances are sufficient to meet potential risks and earmarked reserves are set at an appropriate level for the purposes intended. More information on reserves and the purpose for which they are held is included within the Commissioner's Reserves Strategy, included as a separate item on this agenda.

6. The Affordability of the Capital Programme in determining Prudential Indicators

6.1 The Prudential Code requires the Chief Financial Officer to ensure that all matters required by the Code to be taken into account in determining the budget are reported to the Commissioner. The treasury management strategy statement provides assurance in respect of this requirement. In particular, the strategy sets out the prudential indicators and limits calculated under the Code including those that support assurances in respect of the affordability of capital expenditure plans. The Code of practice gives no suggestions as to their appropriate level. These have to be set by the Commissioner based on individual circumstances.

6.2 The conclusions from the strategy following the setting and calculation of indicators is that capital expenditure plans are resourced and levels of borrowing are prudent in relation to income and assets. The strategy is subject to review by the Joint Audit Committee and independent advisors to provide further assurance that the principles of the code and best professional practice is being applied in relation to operational processes and procedures.

7. Conclusion

7.1 Based on the assessment included in this report we have concluded that the budgets as proposed and the associated systems and processes are sound and the level of general balances/reserves is adequate. This is subject to no amendments being made to the budget proposals, which would impact on this assessment. It is our view that the estimates proposed and the tax setting calculations are robust and the provisional capital programme is affordable.

Steven Tickner	Michelle Bellis
OPFCC Chief Finance Officer	Constabulary Chief Finance Officer
13 February 2025	13 February 2025

Budget 2025/26 and MTFF to 2029/30 Sensitivity Analysis

The table below illustrates the sensitivity of the budget and MTFF to changes in key assumptions by 0.5% or 1%. The table below includes the impact of an increase in assumptions, a reduction will produce and equal and opposite change. The table below shows increases in income as a negative figure (in brackets) and increases in expenditure as a positive figure.

	Budget Area	Sensitivity Analysis	2025/26	2026/27	2027/28	2028/29	2029/30
Expenditure	Pay Inflation	*Current assumption in MTFF*	*2.80%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
		Impact in £000's of 0.50% increase in pay inflation	£361k	£379k	£393k	£404k	£414k
	General Inflation	*Current assumption in MTFF*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
		Impact in £000's of 1% increase in general inflation	£195k	£227k	£236k	£243k	£248k
	Fuel Inflation	*Current assumption in MTFF*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
		Impact in £000's of 1% increase in fuel inflation	£11k	£11k	£11k	£11k	£11k
	Police Pensions	*Current assumption in MTFF*	*35.30%*	*35.30%*	*35.30%*	*35.30%*	*35.30%*
		Impact in £000's of 1% increase in contribution rate	£602k	£625k	£647k	£668k	£685k
	Local Govt Pensions (CC)	*Current assumption in MTFF*	*18.90%*	*18.90%*	*18.90%*	*18.90%*	*18.90%*
		Impact in £000's of 1% increase in contribution rate	£240k	£238k	£244k	£250k	£255k
	Local Govt Pensions (OPFCC)	*Current assumption in MTFF*	*18.60%*	*18.60%*	*18.60%*	*18.60%*	*18.60%*
		Impact in £000's of 1% increase in contribution rate	£19k	£19k	£20k	£20k	£21k
Funding	Council Tax Precept	*Current assumption in MTFF*	*4.50%*	*4.31%*	*4.31%*	*4.13%*	*3.81%*
		Impact in £000's of 1% increase in precept	-	(£615k)	(£621k)	(£628k)	(£634k)
	Council Tax Base	*Current assumption in MTFF*	*5.76%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*
		Impact in £000's of 1% increase in taxbase	-		(£621k)	(£628k)	(£634k)
	Government Core Grant	*Current assumption in MTFF*	*5.96%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
		Impact in £000's of 1% increase in Govt. grant	-	(£956k)	(£956k)	(£956k)	(£956k)

Cumbria Office of the Police, Fire and Crime Commissioner

Public Accountability Conference 13 February 2025
Agenda Item: 09b

Budget 2025/26 and Financial Forecasts 2026/27 to 2029/30

Report of the Constabulary Chief Finance Officer and the OPFCC Chief Finance Officer

1. Purpose of the Report

1.1 The purpose of this report is to recommend to the Commissioner for approval the revenue and capital budget for 2025/26 and the level of council tax to support the budget. The report also provides provisional estimates for the four years to 2029/30, ensuring budget decisions are taken in the context of the medium-term financial forecast.

2. Introduction

2.1 It is a legal requirement for the Police, Fire and Crime Commissioner to annually set a balanced budget and to allocate funds to the Chief Constable to secure the maintenance of the Police Force for Cumbria. In doing this, the budget considers forecasts of the income anticipated to be available to Cumbria and expenditure that is expected to be incurred in delivering the functions of the Commissioner and the priorities of the Police, Fire and Crime Plan. This report presents the Commissioner's revenue budget plans to meet these requirements.

2.2 This budget report is the second report in a series of papers that provide financial and other information to support the budget setting process. In January, more detailed financial and contextual information was provided to the Police, Fire and Crime Panel. Accompanying the budget report on this agenda is a report covering the Capital Strategy and Programme, Treasury Management Strategy, Prudential Indicators and the policy on Minimum Revenue Provision (MRP). These reports support the due diligence in respect of the affordability of the capital programme and the revenue implications of that expenditure. The agenda includes the Chief Finance Officer's statutory report on the robustness of the budget and a reserves strategy. The full suite of financial reports is available on the Commissioner's website.

3. Summary Budget and Precept

3.1 The table below sets out a summary of the consolidated budget setting out the plans for income and expenditure based on the 2025/26 government financial settlement for policing bodies.

Medium Term Budget 2025 - 2030	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Total Expenditure	177.517	186.201	190.376	196.493	202.529	207.675
Income & Specific Grants	(39.374)	(41.645)	(40.483)	(41.060)	(41.803)	(42.193)
Movement to /(from) Reserves	(5.374)	(2.771)	(2.740)	(1.969)	0.473	0.554
Net Budget Requirement	**132.769**	**141.785**	**147.153**	**153.464**	**161.199**	**166.036**
External Funding						
Formula Grant	(77.191)	(80.049)	(80.049)	(80.049)	(80.049)	(80.049)
Council Tax Income	(55.578)	(61.736)	(64.804)	(68.154)	(71.564)	(75.036)
Total External Funding	**(132.769)**	**(141.785)**	**(144.853)**	**(148.203)**	**(151.613)**	**(155.085)**
Net Cumulative Deficit / Savings Requirement	0.000	0.000	2.300	5.261	9.586	10.951

Appendix A sets out the respective budgets for the Commissioner and the Chief Constable. **Appendix B** provides an analysis of the combined budget over the main expenditure and income headings.

3.2 The table shows estimated expenditure based on the budget proposed by and agreed with Cumbria Constabulary. It also includes expenditure for services that will be commissioned with wider partners and the Constabulary in support of the priorities within the Police, Fire and Crime Plan. The budget plan provides estimated funding of **£186.201m** in 2025/26 to support an equivalent level of expenditure. In 2025/26 a budget gap arises of £2.3m and this increases to £11.0m by 2029/30. This arises from the net impact of inflation and other expenditure pressures compared with the forecast growth in funding from Government Grant and increases in Council Tax Income.

3.3 For 2025/26 the Minister of State for Policing and Fire has again allowed PFCCs a degree of flexibility to increase council tax without the requirement to undertake a local referendum. In the funding announcement she gave PFCCs the ability to increase the band D precept by up to £14 for 2025/26 (for 2024/25 the flexibility was given to increase by £13), for Cumbria this sum would represent an annual increase of 4.50%. In combination with the additional grant funding provided by the Government, the proposed increase in the council tax precept for policing of 4.50% has facilitated the continuation of an additional 194 police officers, which represents Cumbria's share of the initial Operation Uplift (the programme to recruit 20,000 officers nationally) of 169 police officers plus a further 25 officers as part of the uplift plus scheme in support of the national effort. This has the effect increasing the establishment of police officers from 1,334 FTE to 1,359 FTE. The remainder of the proposed budget has been produced on a broadly continuation basis, which means that current levels of service have been maintained over the life of the five-year forecast.

4. 2025/26 Policing Bodies Grant Settlement

4.1 On the 30th January 2025 the funding allocations for policing bodies in England and Wales were confirmed (provisional settlement figures were announced on 17th December 2024). The outcome of the settlement is a formula funding amount of £80.049m for the Cumbria police area for 2025/26, which represents an increase of £2.858m compared to the 2024/25 level of funding. The grant settlement for 2025/26 represents a single year settlement there are currently no commitments to future years funding settlements. A Comprehensive Spending Review (CSR) covering the three years 2026/27 to 2028/29 is expected in summer 2025. The MTFF assumes that core grant funding and specific ringfenced grants beyond 2025/26 will remain static.

4.2 The settlement confirmed that the current arrangements for formula funding and damping would continue for 2025/26. This means all policing bodies will continue to receive the same proportion of core Government funding as in 2024/25. In 2021 the Home Office announced its intention to re-visit the Home Office police funding formula, which is used to allocate funding across forces, for implementation as early as 2023/24. Whilst this did not happen in the timescale envisaged, there was a renewed impetus to review funding formula. With a change in Government in July 2024, it is now unclear if or when the formula may be reviewed. In the absence of any information, no provision has been made in the budget or medium term forecast for any potential impact on Cumbria's financial position. The potential that changes to the formula may adversely affect the financial outlook will, however, continue to be recognised in the Constabulary strategic risk register and will be monitored on an on-going basis.

4.3 In addition to the formula grant the Commissioner receives a number of specific grants for policing and crime. The key grants against which most funding is received are the Police Pensions Top-Up Grant (£15.7m), Home Office legacy Council Tax Grants of £4.85m, a specific pensions grant of £3.6m to offset increased police officer pension contributions, a specific grant of £3.0m, which is conditional on the Constabulary maintaining its targeted increase in police officers (+169) as part of Operation Uplift and a further uplift grant of £1.3m to maintain and additional 25 FTE officers to further support the national uplift programme. For 2025/26 the Commissioner/Constabulary will also receive a Neighbourhood Policing Grant of £1.7m, the exact details of which are still being worked through. At this stage it has been assumed that the grant will be spent on additional neighbourhood policing resources. The Commissioner will also receive income of £1.36m to support responsibilities for commissioning support for victims and restorative justice. For the purposes of financial planning, it is assumed that the legacy, pensions and pay award grants will continue at their 2025/26 cash levels for the remainder of the MTFF.

5. Council Tax Income & Other Income

5.1 The net budget for the Cumbria Police area is funded by a combination of formula grant and Council Tax income. Income from Council Tax is dependent on a precept levied on each Unitary Council in Cumbria. Total tax income is dependent upon the amount at which the precept is set, the number of properties charged (tax base) and the Police Area's share of any surplus or deficit on Unitary Council's Collection Funds. The Council Tax Base takes account of expected collection levels and discounts. The surplus or deficit position on each Council Collection Fund reflects the extent to which actual collection and discounts have varied from the budget. Each precepting authority takes a share of the deficit or surplus pro-rata to their share of the precepts. For 2024/25 the district councils are collectively forecasting a surplus providing a combined surplus of £0.222m to be repaid to the Commissioner in 2025/26.

*Council Tax '**Band A'** is the band into which the highest number of properties in Cumbria fall, for this band the increase is £9.30 per annum or 18 pence per week (from £206.70 to £216.00 per annum).*

5.2 The amount of the council tax precept is a decision for the Commissioner, who will take account of the views of the Chief Constable, the Police, Fire and Crime Panel and the results of a public consultation in making that decision. This is providing the proposal on the precept is within the Government's Council Tax increase limits. The limits are set by Government each year and inform the percentage increase or fixed amount increase in Council Tax income allowed before the Commissioner would need to hold a public referendum. The Government has formally announced the Council Tax increase limits as part of the formula grant settlement. As discussed above, the limit for Policing Bodies has been set at a maximum of £14 increase on a band D property for 2025/26. **The Commissioner's budget is based on a precept increase of 4.50%. The financial implications for residents are that the Band D Council Tax amount would increase to £324.00 for 2025/26, an increase of £13.95.**

5.3 Council tax income is forecast using the tax base estimates provided by unitary councils. Calculations of the tax base have taken into account billing authorities' responsibilities to support low income households with their council tax liabilities. This support is delivered by way of local schemes that provide discounts. The discounts reduce the tax base and therefore also impact precepting bodies. Schemes are subject to review and the Police, Fire and Crime Commissioner is required to be consulted with regard to scheme changes. The Commissioner has supported the schemes currently proposed by the unitary councils through the consultation process.

5.4 The table below sets out the tax base for each unitary authority for 2025/26 and the tax base for the prior year. The table shows that the total tax base is estimated to increase by 10,348 band D equivalent properties. Budgets from 2026/27 are based on an assumed annual increase in the tax base of 1%. The actual updated tax base will be incorporated into future budgets in the year it is notified by unitary councils. If the tax base increases above our estimates this will deliver a small budget benefit whilst a decrease from our estimates will have a negative impact on funding.

Council Tax Base	Tax Base 2024/25	Tax Base 2025/26	Increase (decrease)	% change
Cumberland Council	89,966.79	93,697.66	3,730.87	4.15%
Westmorland & Furness Council	89,542.67	96,159.80	6,617.13	7.39%
Total	179,509.46	189,857.46	10,348.00	5.76%

5.5 In addition to the recurrent grant and tax base income, the 2025/26 budget is increased by the net impact of a forecast surplus on the 2024/25 unitary council collection funds. The table below shows the council tax attributable to each unitary authority for 2025/26 and the position on each authority collection fund (surplus/deficit) for 2024/25.

Council Tax Income	Tax base 2025/26	Precept (Band D) £	Council Tax Income £	Declared Surplus/ (Deficit)	Total 2025/26 £
Cumberland Council	93,697.66	324.00	30,358,041.84	126,272	30,484,314
Westmorland and Furness Council	96,159.80	324.00	31,155,775.20	95,506	31,251,281
Total	189,857.46	324.00	61,513,817.04	221,778	61,735,595

5.6 In addition to formula funding and Council Tax income, the budget includes an amount of one off income to support one off expenditure achieved through a contribution from reserves. The funding available to support the budget is determined annually and takes account of the funding settlement, the need to provide for budget risks and any estimated under spend from prior years. In total the 2025/26 budget is supported by the use of £2.8m of earmarked revenue and capital reserves to support specific projects.

5.7 Fees and charges income is estimated to provide £5.9m in 2025/26 in support of expenditure. This income is primarily derived from reimbursements for services and officers provided to support national and regional policing requirements in addition to some income from driver awareness training and licensing. This income is generated on behalf of the Commissioner by the Constabulary and is netted off the overall funding provided to the Chief Constable.

6. Expenditure Budget & Savings

6.1 Gross expenditure of £186.201m can be supported by budgeted income in 2025/26. However, it is anticipated that beyond 2026/27 funding will fail to keep pace with expenditure pressures meaning that by 2029/30 £11m savings will be needed to offset rising costs. The key driver in the level of savings requirements is inflationary pressure. The budget and medium-term forecast is based on assumed increase for pay inflation at 2.8% in 2025/26, and 2% per annum thereafter. General inflation is included at 2% across the MTFF in line with Bank of England estimates. Against this backdrop, all expenditure budgets are subject to rigorous scrutiny and many are zero based each year.

6.2 Recognising the need to make further budget savings in the medium term in order to deliver a balanced budget, the Commissioner and Chief Constable have engaged in a number of discussions to consider areas of the budget that will be targeted for review to provides greater efficiency and or reductions in expenditure. A number of reviews are currently underway as part of the Constabulary' 'Futures Programme', with a number of projects being progressed as part of phase 1, for decision and implementation during 2025/26 with higher level plans of areas for review for phases 2 & 3.

7. Capital Funding & Expenditure

7.1 The capital programme is developed in consultation with the Constabulary who are the primary user of the capital assets under the ownership of the Commissioner and primarily includes investment in Digital Data & Technology (DDaT), fleet and estates. The programme has historically been funded by a combination of capital grants, capital receipts, reserves, support from the revenue budgeted and borrowing. Over recent years the level of capital grant has reduced significantly because of national top-slicing from capital allocations and in 2022/23 was removed from the finance settlement altogether. Beyond 2024/25 both reserves and capital receipts will be largely exhausted and as a result revenue contributions and borrowing will be the primary source of capital funding. In 2024/25, the decision was taken to reduce the revenue contributions to the capital programme to around £0.4m per annum (previously £3.6m on average p.a.). The unfunded balance on the capital programme is now shown to be financed by a borrowing requirement over the longer 10-year timeframe. The revenue implications of this are included in the revenue budget.

8. Reserves and Balances

8.1 Over the life of the financial forecast total group reserves are planned to reduce from £23.1m at the start of 2025/26 to £16.7m by end of March 2030, largely due to provision of funding to the support the revenue budget over the next 3 years. Of the remaining £16.7m, the general reserve of £4.8m is held for managing financial risks and unforeseen events, budget support, stabilisation and insurance reserves/contingencies of £4.2m provide further resilience, a small number of other reserves are earmarked for specific purposes including pooled/partnership funds £3.5m, whilst the Commissioner holds reserves of £4.2m to cover the longer-term implications of commissioning commitments.

8.2 The agenda includes a separate paper, **The Reserves Strategy for 2025/26** (see item 09c). The Reserves Strategy sets out the purposes for which the individual reserves are held and the planned movements over the life of the medium term budget.

9. Consultation & Value for Money

9.1 The Commissioner has undertaken consultation on the budget and the Police, Fire and Crime Plan in line with regulatory requirements. Public consultation has taken place through the Police, Fire and Crime Panel and with a specific survey on the Commissioner's website during the budget setting process for 2025/26. A total of 1,127 individuals responded to the survey and the outcome of public consultation has been that 63% of respondents have agreed with the proposal to increase council tax by £13.95 (4.50%), which is under the maximum allowed amount of £14 on a band D property. The Commissioner has also sought the view of the Chief Constable. The Police, Fire and Crime Panel voted to support the Commissioner's proposal at its meeting on 31st January 2025.

9.2 The Police, Fire and Crime Plan is underpinned by a performance framework that supports the Commissioner in holding the Chief Constable to account for delivering priorities and securing value for money. In developing the framework consideration is given to past performance, benchmarking against most similar forces, the level of officer and staffing resources that can be supported by the budget and the impact of the continuing implementation of the savings programme.

10. Summary

10.1 This report presents and explains the budget plans for the period from 2025/26 to 2029/30. The 2025/26 budget is balanced based on a precept increase of £13.95 for a band D property which equates to an increase of 4.50%. In future years savings will be required to offset the forecast deficit of £2.3m in 2026/27 rising to £11m per annum by 2029/30. The precept proposal will increase the annual Council Tax attributable to the Commissioner by £13.95 for a Band D property resulting in a Band D Council Tax charge of £324.00.

11. Recommendations

11.1 **Appendix C** sets out the budget resolution for decision by the Commissioner in order to formally approve the level of council tax precept. In the context of the budget resolution, it is recommended that:

a) The revenue budgets outlined in this report and appendices be approved, having regard to the Local Government Act 2003 report

b) That the budget requirement for 2025/26 be set on the basis of the amount within the budget resolution at appendix C

c) The council tax for Band D properties be approved at £324.00 for 2025/26, an increase of £13.95 (4.5%).

12. Acknowledgements

12.1 The budget is recommended to the Commissioner with recognition for the hard work and support of the financial services team who provide detailed income and expenditure forecasts and for the work of the Police, Fire and Crime Panel in providing challenge and scrutiny to the budget proposal.

Michelle Bellis
Constabulary Chief Finance Officer

Steven Tickner
OPFCC Chief Finance Officer

13 February 2025

Human Rights Implications

None identified

Race Equality / Diversity Implications

The budget is subject to an Equality Impact Assessment.

Risk Management Implications

There is a legal requirement to set a balanced budget. The Commissioner's strategic risk register recognises the importance of sound financial planning.

Financial Implications

The main financial impacts are described in the paper

Personnel Implications

As identified in the report

Contact points for additional information

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Budget for the Commissioner and the budget for the Chief Constable

Description		Base Budget 2024/25 £m	Base Budget 2025/26 £m	Base Budget 2026/27 £m	Base Budget 2027/28 £m	Base Budget 2028/29 £m	Base Budget 2029/30 £m
Constabulary Funding							
	Police Officer - Pay & Allowances	90.167	98.177	102.043	105.912	108.759	111.539
	Police Officer - Contribution to Pension Fund A/c	16.840	15.740	16.240	16.528	16.978	17.369
	Police Officer - Ill Health & Injury Pensions	1.215	1.385	1.401	1.421	1.442	1.464
	Police Community Support Officers	1.921	2.054	2.547	2.632	2.717	2.778
	Police Staff - Pay & Allowances	30.813	30.871	30.961	31.995	32.976	33.703
	Other Employee Benefits	2.374	2.249	2.198	2.220	2.425	2.445
	Transport Related Expenditure	2.658	2.782	2.798	2.830	2.858	2.891
	Supplies & Services	12.329	12.949	12.848	12.934	13.200	13.434
	Third Party Related Expenditure	4.471	5.338	5.366	5.451	5.527	5.632
	Earned Income	(4.774)	(5.401)	(5.517)	(5.771)	(5.860)	(5.823)
	Total Constabulary Funding	**158.014**	**166.144**	**170.885**	**176.152**	**181.022**	**185.432**
Commissioner's Budget							
	Police Staff - Office of the PFCC	1.119	1.038	1.059	1.081	1.100	1.114
	Police Staff - Joint Estates Team	0.000	1.122	1.161	1.193	1.228	1.257
	Commissioned Services Budget	3.274	2.980	1.630	1.636	1.642	1.648
	Premises Related Costs	5.700	5.574	5.768	5.758	5.840	5.918
	LGPS Past Service Costs	(0.374)	(0.385)	0.000	0.000	0.000	0.000
	Council Tax Support for Care Leavers	0.016	0.016	0.016	0.016	0.016	0.016
	Insurances & Management of Change	1.566	1.685	1.728	1.769	1.802	1.836
	Accounting & Financing Costs	3.211	2.081	2.039	2.515	3.392	3.983
	Grants & Contributions	(33.983)	(34.684)	(33.733)	(34.047)	(34.676)	(35.082)
	Interest/Investment Income	(0.400)	(1.015)	(0.660)	(0.640)	(0.640)	(0.640)
	Total Commissioner's Budget	**(19.871)**	**(21.588)**	**(20.992)**	**(20.719)**	**(20.296)**	**(19.950)**
Net Use of Reserves							
	Contribution to/(from) - Revenue Reserves	(4.838)	(3.571)	(2.740)	(1.969)	0.473	0.554
	Contribution to/(from) - Capital Reserves	(0.536)	0.000	0.000	0.000	0.000	0.000
	Contribution to/(from) - General Fund	0.000	0.800	0.000	0.000	0.000	0.000
	Total Net Use of Reserves	**(5.374)**	**(2.771)**	**(2.740)**	**(1.969)**	**0.473**	**0.554**
Net Budget Requirement		**132.769**	**141.785**	**147.153**	**153.464**	**161.199**	**166.036**
Formula Grant & Council Tax Income							
	General Police Grant	(77.191)	(80.049)	(80.049)	(80.049)	(80.049)	(80.049)
	Council Tax Precepts	(55.578)	(61.736)	(64.804)	(68.154)	(71.564)	(75.036)
	Total Formula Grant & Council Tax Income	**(132.769)**	**(141.785)**	**(144.853)**	**(148.203)**	**(151.613)**	**(155.085)**
Net Cumulative Budget Deficit / Savings Requirement		**0.000**	**0.000**	**2.300**	**5.261**	**9.586**	**10.951**
Council Tax per Band D Property		£310.05	£324.00	£337.95	£351.90	£365.85	£379.80
Increase over previous year			£13.95	£13.95	£13.95	£13.95	£13.95
Percentage Increase			4.50%	4.31%	4.13%	3.96%	3.81%

Analysis of Expenditure and Income Budgets for PFCC and Constabulary Combined

Medium Term Budget 2025 - 2030	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Expenditure						
Police Pay - Police Officer Pay & Allowances	90.167	98.177	102.043	105.912	108.759	111.539
Police Pay - Contribution to Pension Fund A/c	16.840	15.740	16.240	16.528	16.978	17.369
Police Pay - Ill Health & Injury Pensions	1.215	1.385	1.401	1.421	1.442	1.464
PCSO Pay	1.921	2.054	2.547	2.632	2.717	2.778
Staff Pay	31.839	33.251	33.424	34.533	35.588	36.372
Other Employee Costs	2.388	2.263	2.212	2.235	2.440	2.460
Premises Costs	5.701	5.575	5.769	5.759	5.841	5.919
Transport Costs	2.662	2.786	2.802	2.834	2.862	2.895
Supplies & Services	12.586	13.221	13.125	13.217	13.490	13.729
Third Party Expenditure	4.483	5.350	5.378	5.463	5.538	5.644
LGPS Past Service Costs	(0.374)	(0.385)	0.000	0.000	0.000	0.000
Insurances/Management of Change	1.566	1.685	1.728	1.769	1.802	1.836
Commissioned Services	3.274	2.980	1.630	1.636	1.642	1.648
Council Tax Support for Care Leavers	0.016	0.016	0.016	0.016	0.016	0.016
Accounting and Financing Costs	3.233	2.103	2.061	2.538	3.414	4.006
Total Expenditure	**177.517**	**186.201**	**190.376**	**196.493**	**202.529**	**207.675**
Income & Specific Grants						
Home Office Pension Top Up Grant	(16.840)	(15.740)	(16.240)	(16.528)	(16.978)	(17.369)
Other Grants & Contributions	(17.143)	(18.944)	(17.493)	(17.519)	(17.698)	(17.713)
Sales, Fees, Charges & Rents	(4.991)	(5.946)	(6.090)	(6.373)	(6.487)	(6.471)
Interest/Investment Income	(0.400)	(1.015)	(0.660)	(0.640)	(0.640)	(0.640)
Total Income & Specific Grants	**(39.374)**	**(41.645)**	**(40.483)**	**(41.060)**	**(41.803)**	**(42.193)**
Net Use of Reserves						
Contribution to/(from) - Revenue Reserves	(4.838)	(3.571)	(2.740)	(1.969)	0.473	0.554
Contribution to/(from) - Capital Reserves	(0.536)	0.000	0.000	0.000	0.000	0.000
Contribution to/(from) - General Fund	0.000	0.800	0.000	0.000	0.000	0.000
Total Net Use of Reserves	**(5.374)**	**(2.771)**	**(2.740)**	**(1.969)**	**0.473**	**0.554**
Net Budget Requirement	**132.769**	**141.785**	**147.153**	**153.464**	**161.199**	**166.036**
External Funding						
Formula Grant	(77.191)	(80.049)	(80.049)	(80.049)	(80.049)	(80.049)
Council Tax Income	(55.578)	(61.736)	(64.804)	(68.154)	(71.564)	(75.036)
Total External Funding	**(132.769)**	**(141.785)**	**(144.853)**	**(148.203)**	**(151.613)**	**(155.085)**
Net Cumulative Deficit / Savings Requirement	**0.000**	**0.000**	**2.300**	**5.261**	**9.586**	**10.951**

Budget Resolution

Local Government Act 2003 Requirements: That the comments of the Chief Finance Officers on the robustness of the estimates and adequacy of balances and reserves be noted and reflected in the decisions made by the Commissioner in making the following budget determination for 2025/26.

Revenue Estimates 2025/26: That the Commissioner's net **Budget Requirement** of £141.785m be approved.

Council Tax Base 2025/26: That it is noted that the Council Tax base has been calculated at the amount of 189,857.46 for 2025/26. This is the total of the tax bases calculated by the Unitary Councils as required by regulation.

Budget Requirement: That the following amounts are calculated by the Commissioner for the 2025/26 financial year:

Ref	2025/26 Amount £s	Description
(a)	£186,200,719	being the total of gross expenditure
(b)	£44,415,772	being the total of income from specific grants, fees and charges and transfers from reserves
(c)	£141,784,947	being the Budget Requirement for the year to be met from Council Tax and External Finance
(d)	£80,049,352	being the total the Commissioner estimates will be received from external financing, being the Police Grant
(e)	£221,778	being the net surplus/(deficit) on unitary authority collection funds
(f)	£61,513,817	being the council tax requirement (the budget requirement less the collection fund deficit and external finance)
(g)	£324.00	being the basic amount of Council Tax for the year (the council tax requirement divided by the tax base)

Valuation Bands and Calculation of the amount of Precept payable by each billing authority:

Valuation Band	Precept 2025/26 Amount £.pp	Proportion
Band A	216.00	6/9 ths
Band B	252.00	7/9 ths
Band C	288.00	8/9 ths
Band D	**324.00**	**9/9 ths**
Band E	396.00	11/9 ths
Band F	468.00	13/9 ths
Band G	540.00	15/9 ths
Band H	648.00	18/9 ths

Billing Authority	Tax Base 2025/26	Precept (Band D) £	Amount Payable £
Cumberland Council	93,697.66	324.00	30,358,042
Westmorland and Furness Council	96,159.80	324.00	31,155,775
Total	189,857.46	324.00	61,513,817

Reserves Strategy 2025/26

Public Accountability Conference 13 February 2025
Agenda Item: 09c

Report of the Constabulary Chief Finance Officer and the OPFCC Chief Finance Officer

1. Introduction and Background

1.1 This reserves strategy is produced and published as part of the overall budget setting process. The reserves strategy meets the statutory requirement to consider annually the level of reserves that should be held to meet future expenditure requirements when setting the budget. The strategy seeks to achieve a balance between pro-actively utilising reserves to support services for our communities and providing financial resilience to meet unexpected events. It sets out the purpose for which reserves are held and the planned movement in reserves over a period of 5 years (the medium term financial forecast period). Our reserves are held for three main purposes. These are:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing,
- a contingency to cushion the impact of unexpected events or emergencies,
- a means of building up funds, often referred to as earmarked reserves, to meet known or predicted pressures or liabilities.

1.2 Over recent years, the level of reserves nationally have become a focus of attention for the Home Office and it is now considered best practice to publish a ***reserves strategy,*** which covers the MTFF 5 year timeframe plus a further year, 6 years in total.

1.3 As part of the budget process a capital strategy is produced which includes capital plans over a longer 10 year timeframe, reflecting the cyclical nature of capital expenditure programmes. In order to facilitate the production of the capital strategy and associated capital financing, reserve balances are projected over this longer 10 year timeframe. For this reason, it has been determined that a reserves strategy should be produced covering a 10 year timeframe (exceeding the best practice requirements).

1.4 The level of reserves should take into account the medium term financial plan and not be based solely on short term considerations. Set out in section 2 below is a description of the reserves held by the Commissioner and the Constabulary and the purpose for which they are held. **Appendix A** presents the level of reserves over this longer 10 year timeframe to 31 March 2035 graphically. At **Appendix B** a table is provided which sets out the planned movement in reserves over this longer 10 year timeframe to 31 March 2035.

1.5 The medium term financial forecast shows a budget deficit of £2.3m in 2026/27 rising to £11m by 2029/30. A savings and efficiency plan is being progressed as part of the Constabulary 'Futures Programme' to address the deficit. In the event that this is not achieved, reserves will be required to bridge the gap and will result in the level of reserves depleting more quickly than indicated in this strategy.

2. Details of Specific Groups of Reserves

2.1 **General Reserves**: The general reserve (police fund) is the main contingency for unexpected events, and the management of cash flow. The level of general reserve is planned to be increased from £4.0m to £4.8m in 2025/26. The amount represents approximately 3% of the net recurrent budget (after specific grants & fees and charges). The level of the general reserve takes account of the risks within the budget, as set out in the Chief Finance Officers report on the robustness of the budget and the level of provision for those risks within specific earmarked reserves and contingencies.

2.2 **Earmarked Capital Reserves:** Capital reserves are a combination of general and earmarked revenue contributions that have been set aside to meet the costs of approved capital schemes to be delivered over multiple financial years. Capital schemes are only included within the capital programme on the basis of setting aside funding to meet the expenditure. The capital reserves currently include a reserve to allow estate modernisation at Hunter Lane, Penrith and in the West Cumbria and a scheme to make improvements to the HQ site. The current capital programme forecasts that these reserves will be almost fully utilised by the end of March 2025.

2.3 **Budget Stabilisation and Insurance Reserves** are established to smooth the impact of intermittent costs across financial years. This group of reserves includes:

- Constabulary Operational Reserve this reserve is to cover any unexpected expenditure that arises during a financial year that cannot be accommodated from existing budgets. The strategy is for this reserve to be replenished if used through the next budget cycle.
- Insurance reserve to cover the cost of insurance claims below the policy excess.
- Chief Constable's Contingency this reserve was established when a more risk based approach to budgeting was adopted thereby removing contingency sums from individual budgets.
- Management of Change to cover costs arising as a result of the 'Futures Programme'.
- Ill Health Retirements Reserve to smooth the impact of ill health retirements in the year, the revenue budget includes provision for an average of four such retirements per year. This reserve is drawn down in years where there are more than four arising in the year and contributed to in years where there are less than four.

2.4 **Budget Support Reserve** the budget support reserve was established to meet emerging demands and unforeseen items. The budget support reserve will largely be utilised between 2025/26 and 2027/28 to reduce the impact in the budget deficit while the 'Futures Programme' is developed and implemented. Plans for the remainder of this reserve will be developed during 2025/26 once the Government funding position is made clearer in the forthcoming Comprehensive Spending Review (CSR) expected in summer 2025.

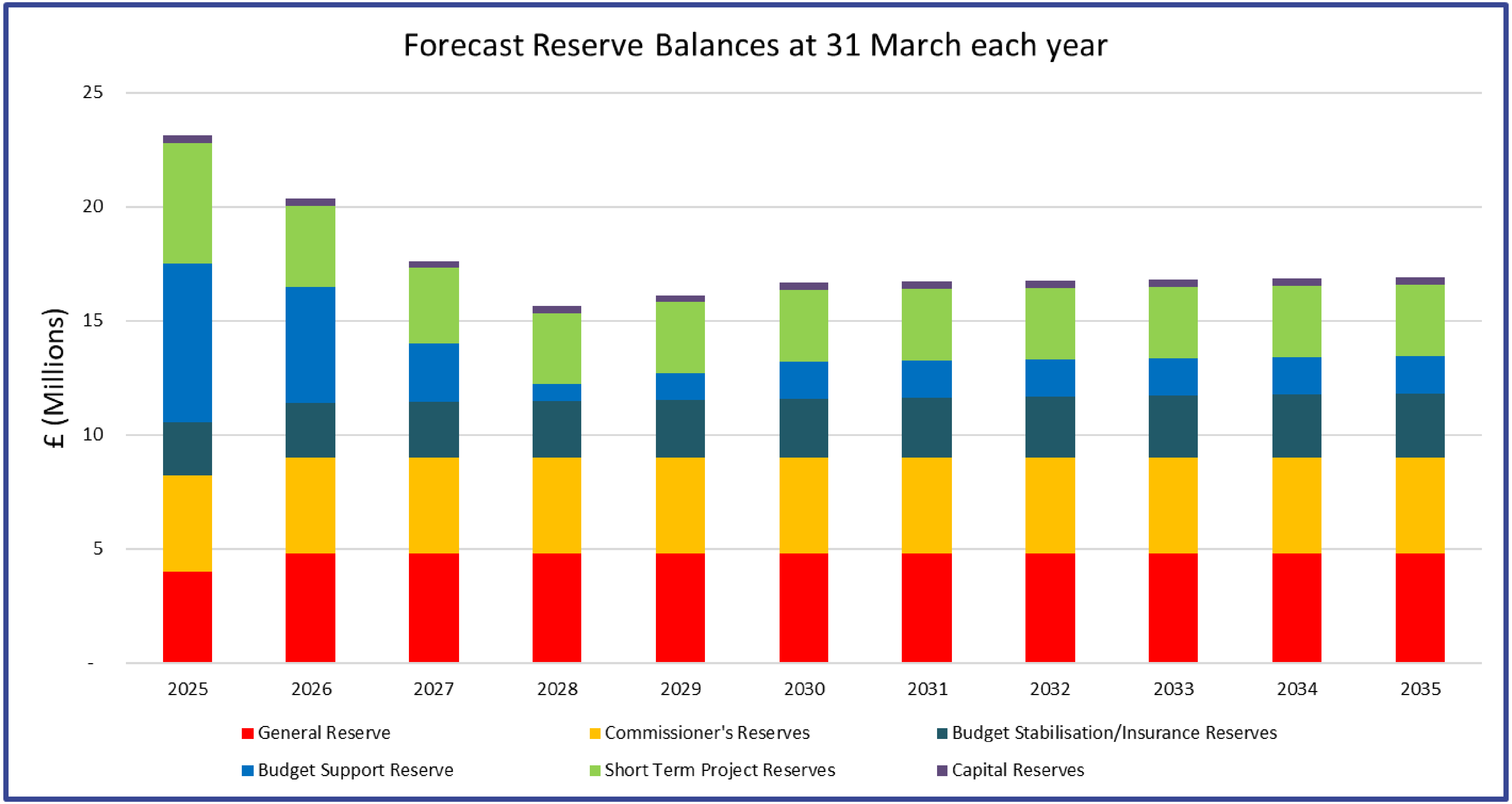
2.5 **Short-term Project Reserves** primarily fund the one off revenue implications of approved projects and also provide for areas within the budget where there is a liability but the amount or timing is uncertain. This group includes a reserve to cover the future lifecycle costs in relation to the PFI. This group also includes a reserve to fund the cyclical replacement of body armour.

2.6 **Commissioner's Reserves**

This group of reserves includes operational reserves for the Commissioner and reserves in relation to PFCC commissioned services where the approved spend will be drawn down over a number of years.

Michelle Bellis	Steven Tickner
Constabulary Chief Finance Officer	OPFCC Chief Finance Officer

Planned Movement in Reserves 2025/26 to 2034/35



Planned Movement in Reserves 2025/26 to 2034/35

				MTFF																				
Reserves Forecast	See Note	Actual Balance 01/04/24 £m	Planned (Gain)/Use 2024/25 £m	Forecast Balance 01/04/25 £m	Planned (Gain)/Use 2025/26 £m	Forecast Balance 01/04/26 £m	Planned (Gain)/Use 2026/27 £m	Forecast Balance 01/04/27 £m	Planned (Gain)/Use 2027/28 £m	Forecast Balance 01/04/28 £m	Planned (Gain)/Use 2028/29 £m	Forecast Balance 01/04/29 £m	Planned (Gain)/Use 2029/30 £m	Forecast Balance 01/04/30 £m	Planned (Gain)/Use 2030/31 £m	Forecast Balance 01/04/31 £m	Planned (Gain)/Use 2031/32 £m	Forecast Balance 01/04/32 £m	Planned (Gain)/Use 2032/33 £m	Forecast Balance 31/03/33 £m	Planned (Gain)/Use 2033/34 £m	Forecast Balance 31/03/34 £m	Planned (Gain)/Use 2034/35 £m	Forecast Balance 31/03/35 £m
General Reserve/Police Fund	2.1	(4.000)	0.000	(4.000)	(0.800)	(4.800)	0.000	(4.800)	0.000	(4.800)	0.000	(4.800)	0.000	(4.800)	0.000	(4.800)	0.000	(4.800)	0.000	(4.800)	0.000	(4.800)	0.000	(4.800)
Total General Reserve/Police Fund		**(4.000)**	**0.000**	**(4.000)**	**(0.800)**	**(4.800)**	**0.000**	**(4.800)**	**0.000**	**(4.800)**	**0.000**	**(4.800)**	**0.000**	**(4.800)**	**0.000**	**(4.800)**	**0.000**	**(4.800)**	**0.000**	**(4.800)**	**0.000**	**(4.800)**	**0.000**	**(4.800)**
Earmarked Capital Reserves	2.2																							
Capital Reserves																								
Estate Modernisation (Hunter Lane, West Cumbria)		(1.719)	1.712	(0.007)	0.000	(0.007)	0.000	(0.007)	0.000	(0.007)	0.000	(0.007)	0.000	(0.007)	0.000	(0.007)	0.000	(0.007)	0.000	(0.007)	0.000	(0.007)	0.000	(0.007)
HQ Adaptions		(0.294)	0.000	(0.294)	0.000	(0.294)	0.000	(0.294)	0.000	(0.294)	0.000	(0.294)	0.000	(0.294)	0.000	(0.294)	0.000	(0.294)	0.000	(0.294)	0.000	(0.294)	0.000	(0.294)
Total Capital Reserves		**(2.013)**	**1.712**	**(0.301)**	**0.000**	**(0.301)**	**0.000**	**(0.301)**	**0.000**	**(0.301)**	**0.000**	**(0.301)**	**0.000**	**(0.301)**	**0.000**	**(0.301)**	**0.000**	**(0.301)**	**0.000**	**(0.301)**	**0.000**	**(0.301)**	**0.000**	**(0.301)**
Constabulary Earmarked Revenue Reserves																								
Budget Stabilisation / Insurance Reserves	2.3																							
Constabulary Operational Reserve		0.000	(0.250)	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)
Insurance Reserve		0.012	(0.225)	(0.213)	(0.046)	(0.259)	(0.046)	(0.305)	(0.046)	(0.350)	(0.046)	(0.396)	(0.046)	(0.442)	(0.046)	(0.488)	(0.046)	(0.534)	(0.046)	(0.580)	(0.046)	(0.626)	(0.046)	(0.672)
Chief Constable's Contingency		(0.500)	0.000	(0.500)	0.000	(0.500)	0.000	(0.500)	0.000	(0.500)	0.000	(0.500)	0.000	(0.500)	0.000	(0.500)	0.000	(0.500)	0.000	(0.500)	0.000	(0.500)	0.000	(0.500)
Management of Change Reserve		(0.300)	(0.700)	(1.000)	0.000	(1.000)	0.000	(1.000)	0.000	(1.000)	0.000	(1.000)	0.000	(1.000)	0.000	(1.000)	0.000	(1.000)	0.000	(1.000)	0.000	(1.000)	0.000	(1.000)
Ill Health Retirements Reserve		(0.373)	0.000	(0.373)	0.000	(0.373)	0.000	(0.373)	0.000	(0.373)	0.000	(0.373)	0.000	(0.373)	0.000	(0.373)	0.000	(0.373)	0.000	(0.373)	0.000	(0.373)	0.000	(0.373)
Total Budget Stabilisation / Insurance Reserves		**(1.161)**	**(1.175)**	**(2.336)**	**(0.046)**	**(2.382)**	**(0.046)**	**(2.428)**	**(0.046)**	**(2.474)**	**(0.046)**	**(2.520)**	**(0.046)**	**(2.566)**	**(0.046)**	**(2.612)**	**(0.046)**	**(2.657)**	**(0.046)**	**(2.703)**	**(0.046)**	**(2.749)**	**(0.046)**	**(2.795)**
Budget Support Reserves	2.4																							
Budget Support Reserve		(7.927)	0.961	(6.966)	1.871	(5.095)	2.518	(2.576)	1.837	(0.739)	(0.435)	(1.174)	(0.490)	(1.664)	0.000	(1.664)	0.000	(1.664)	0.000	(1.664)	0.000	(1.664)	0.000	(1.664)
Total Budget Support Reserves		**(7.927)**	**0.961**	**(6.966)**	**1.871**	**(5.095)**	**2.518**	**(2.576)**	**1.837**	**(0.739)**	**(0.435)**	**(1.174)**	**(0.490)**	**(1.664)**	**0.000**	**(1.664)**	**0.000**	**(1.664)**	**0.000**	**(1.664)**	**0.000**	**(1.664)**	**0.000**	**(1.664)**
Short-term Project Reserves	2.5																							
PFI Lifecycle Reserves		(0.158)	0.000	(0.158)	0.000	(0.158)	0.000	(0.158)	0.000	(0.158)	0.000	(0.158)	0.000	(0.158)	0.000	(0.158)	0.000	(0.158)	0.000	(0.158)	0.000	(0.158)	0.000	(0.158)
Body Armour (Future Roll Out)		(0.387)	0.000	(0.387)	0.000	(0.387)	0.000	(0.387)	0.000	(0.387)	0.000	(0.387)	0.000	(0.387)	0.000	(0.387)	0.000	(0.387)	0.000	(0.387)	0.000	(0.387)	0.000	(0.387)
Records Management System		(2.960)	1.287	(1.673)	1.573	(0.100)	0.100	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)
Business Intelligence		(0.028)	0.000	(0.028)	0.000	(0.028)	0.000	(0.028)	0.000	(0.028)	0.000	(0.028)	0.000	(0.028)	0.000	(0.028)	0.000	(0.028)	0.000	(0.028)	0.000	(0.028)	0.000	(0.028)
HQ Security		(0.180)	0.000	(0.180)	0.000	(0.180)	0.000	(0.180)	0.000	(0.180)	0.000	(0.180)	0.000	(0.180)	0.000	(0.180)	0.000	(0.180)	0.000	(0.180)	0.000	(0.180)	0.000	(0.180)
Business Transformation		(0.196)	0.025	(0.171)	0.010	(0.161)	0.025	(0.136)	0.000	(0.136)	0.025	(0.111)	0.000	(0.111)	0.004	(0.107)	0.000	(0.107)	0.000	(0.107)	0.000	(0.107)	0.000	(0.107)
Specialist Services Accomodation Dilapidation Reserve		(0.040)	0.000	(0.040)	0.000	(0.040)	0.000	(0.040)	0.000	(0.040)	0.000	(0.040)	0.000	(0.040)	0.000	(0.040)	0.000	(0.040)	0.000	(0.040)	0.000	(0.040)	0.000	(0.040)
ESN Grant Funding		(0.238)	0.000	(0.238)	0.000	(0.238)	0.000	(0.238)	0.000	(0.238)	0.000	(0.238)	0.000	(0.238)	0.000	(0.238)	0.000	(0.238)	0.000	(0.238)	0.000	(0.238)	0.000	(0.238)
Change Management / S&E Facilitation		(0.129)	0.000	(0.129)	0.000	(0.129)	0.000	(0.129)	0.000	(0.129)	0.000	(0.129)	0.000	(0.129)	0.000	(0.129)	0.000	(0.129)	0.000	(0.129)	0.000	(0.129)	0.000	(0.129)
Firearms Digitisation		(0.092)	0.044	(0.048)	0.043	(0.005)	0.000	(0.005)	0.000	(0.005)	0.000	(0.005)	0.000	(0.005)	0.000	(0.005)	0.000	(0.005)	0.000	(0.005)	0.000	(0.005)	0.000	(0.005)
CCTV - Revenue		(0.285)	0.045	(0.239)	0.048	(0.192)	0.045	(0.147)	0.041	(0.106)	0.000	(0.106)	0.000	(0.106)	0.000	(0.106)	0.000	(0.106)	0.000	(0.106)	0.000	(0.106)	0.000	(0.106)
Public Order Training PortaKabin		(0.080)	0.034	(0.046)	0.031	(0.015)	0.015	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)
Annumition Smoothing		0.000	(0.030)	(0.030)	(0.030)	(0.060)	(0.030)	(0.090)	0.060	(0.030)	(0.030)	(0.060)	(0.030)	(0.090)	0.000	(0.090)	0.000	(0.090)	0.000	(0.090)	0.000	(0.090)	0.000	(0.090)
POCA / ARIS Funding		(1.326)	0.000	(1.326)	0.012	(1.313)	0.012	(1.301)	0.012	(1.289)	0.012	(1.277)	0.012	(1.265)	0.000	(1.265)	0.000	(1.265)	0.000	(1.265)	0.000	(1.265)	0.000	(1.265)
Hunter Lane Refurbishment		0.000	(0.200)	(0.200)	0.000	(0.200)	0.000	(0.200)	0.000	(0.200)	0.000	(0.200)	0.000	(0.200)	0.000	(0.200)	0.000	(0.200)	0.000	(0.200)	0.000	(0.200)	0.000	(0.200)
National DDAT - Finance Support		(0.042)	0.000	(0.042)	0.000	(0.042)	0.000	(0.042)	0.000	(0.042)	0.000	(0.042)	0.000	(0.042)	0.000	(0.042)	0.000	(0.042)	0.000	(0.042)	0.000	(0.042)	0.000	(0.042)
National DDaT - Investment Income		0.000	(0.120)	(0.120)	(0.037)	(0.157)	0.000	(0.157)	0.000	(0.157)	0.000	(0.157)	0.000	(0.157)	0.000	(0.157)	0.000	(0.157)	0.000	(0.157)	0.000	(0.157)	0.000	(0.157)
Op Olympos - National Post Office Investigation		0.000	(0.200)	(0.200)	0.066	(0.134)	0.070	(0.064)	0.064	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Cambridge Masters Programme		0.000	(0.060)	(0.060)	0.030	(0.030)	0.030	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total Short-term Project Reserves		**(6.140)**	**0.825**	**(5.315)**	**1.746**	**(3.569)**	**0.267**	**(3.302)**	**0.177**	**(3.125)**	**0.007**	**(3.117)**	**(0.018)**	**(3.135)**	**0.004**	**(3.131)**	**0.000**	**(3.131)**	**0.000**	**(3.131)**	**0.000**	**(3.131)**	**0.000**	**(3.131)**
Total Constabulary Reserves		**(21.241)**	**2.323**	**(18.918)**	**2.771**	**(16.147)**	**2.740**	**(13.408)**	**1.969**	**(11.439)**	**(0.474)**	**(11.913)**	**(0.554)**	**(12.466)**	**(0.042)**	**(12.508)**	**(0.046)**	**(12.554)**	**(0.046)**	**(12.600)**	**(0.046)**	**(12.646)**	**(0.046)**	**(12.692)**

Planned Movement in Reserves 2025/26 to 2034/35

Reserves Forecast	See Note	Actual Balance 01/04/2025 £000's	Planned (Gain)/Use 2024/25 £000's	Forecast Balance 01/04/25 £000's	Planned (Gain)/Use 2025/26 £000's	Forecast Balance 01/04/26 £000's	Planned (Gain)/Use 2026/27 £000's	Forecast Balance 01/04/27 £000's	Planned (Gain)/Use 2027/28 £000's	Forecast Balance 01/04/28 £000's	Planned (Gain)/Use 2028/29 £000's	Forecast Balance 01/04/29 £000's	Planned (Gain)/Use 2029/30 £000's	Forecast Balance 01/04/30 £000's	Planned (Gain)/Use 2030/31 £000's	Forecast Balance 01/04/31 £000's	Planned (Gain)/Use 2031/32 £000's	Forecast Balance 01/04/32 £000's	Planned (Gain)/Use 2032/33 £000's	Forecast Balance 31/03/33 £000's	Planned (Gain)/Use 2033/34 £000's	Forecast Balance 31/03/34 £000's	Planned (Gain)/Use 2034/35 £000's	Forecast Balance 31/03/35 £000's
Total Constabulary Reserves (From Above)		**(21.241)**	**2.323**	**(18.918)**	**2.771**	**(16.147)**	**2.740**	**(13.408)**	**1.969**	**(11.439)**	**(0.474)**	**(11.913)**	**(0.554)**	**(12.466)**	**(0.042)**	**(12.508)**	**(0.046)**	**(12.554)**	**(0.046)**	**(12.600)**	**(0.046)**	**(12.646)**	**(0.046)**	**(12.692)**
Commissioner's Reserves	2.6																							
PFCC - Operational Reserve		(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)
PFCC - Commissioned Services		(3.501)	0.050	(3.452)	0.000	(3.452)	0.000	(3.452)	0.000	(3.452)	0.000	(3.452)	0.000	(3.452)	0.000	(3.452)	0.000	(3.452)	0.000	(3.452)	0.000	(3.452)	0.000	(3.452)
PFCC - Management of Change Reserve		0.000	(0.250)	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)
PFCC - Estates Feasibility Reserve		0.000	(0.250)	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)	0.000	(0.250)
PFCC - New Website		(0.020)	0.020	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total Commissioner's Reserves		**(3.772)**	**(0.430)**	**(4.202)**	**0.000**	**(4.202)**	**0.000**	**(4.202)**	**0.000**	**(4.202)**	**0.000**	**(4.202)**	**0.000**	**(4.202)**	**0.000**	**(4.202)**	**0.000**	**(4.202)**	**0.000**	**(4.202)**	**0.000**	**(4.202)**	**0.000**	**(4.202)**
Total Reserves		**(25.013)**	**1.893**	**(23.120)**	**2.771**	**(20.349)**	**2.740**	**(17.609)**	**1.969**	**(15.640)**	**(0.474)**	**(16.114)**	**(0.554)**	**(16.668)**	**(0.042)**	**(16.710)**	**(0.046)**	**(16.756)**	**(0.046)**	**(16.802)**	**(0.046)**	**(16.847)**	**(0.046)**	**(16.893)**

Overall reserves are forecast to fall to just £17m over the life of the MTFF, this represents a fall of 32% compared to their current level of £25m

Executive Board Police: 11 February 2025
Public Accountability Conference: 13 February 2025
Agenda Item 09d

Charging Policy 2025

Report of the Constabulary Chief Finance Officer
Originating Officer: Keeley Hayton, Financial Services Manager

Executive Summary

Most policing services are funded from general and local taxation for the benefit of the public at large. However, there are certain circumstances when it is appropriate for the police service to make charges to individuals or organisations to recover policing costs. The Commissioner's Financial Regulations require that a charging policy for goods and services is put in place, which accords with National Police Chiefs' Council guidance (NPCC) and that this is reviewed at least annually.

Several the charging areas have been reviewed and each section now contains an 'charges applicable from' date rather than the blank 01st January date. As the Commissioner previously approved, charges will be reviewed in line with NPCC guidance, irrespective of when this is issued. This may require a further revision to charges part way through the financial year, which will subsequently be presented to the Commissioner for approval.

Recommendation

The Commissioner is recommended to:

- Agree the revised scale of charges as outlined in the appendices to this report.
- Agree the proposal to revise fees and charges in line with revised NPCC guidance, at the point it is issued, a revised schedule of charges will subsequently be presented to the Commissioner for approval.

Main Section

1. Introduction and Background

1.1 Most policing services are funded from general and local taxation for the benefit of the public at large. However, there are certain circumstances when it is appropriate for the police service to make charges to individuals or organisations to recover policing costs.

1.2 Cumbria Constabulary has adopted the NPCC guidance in relation to charging and continues to make charges on this basis. In a small number of instances local discretion is applied to specific charges to better reflect actual costs incurred in meeting demands. In accordance with the recommendation contained within the guidance that the Police, Fire and Crime Commissioner should take ownership of the charging policy, as part of their overarching responsibility for the Police Fund, into which all receipts must be paid, this report outlines proposed changes to the schedule of charges from 1st January 2025 and 5th February 2025 for approval by the Commissioner. A schedule of charges will also be published on the Police, Fire and Crime Commissioner and Constabulary websites.

1.2.1 The ability to charge for police services is generally determined by statutory provisions. There are four main categories of charging which are examined in section 2 below.

2. Issues for Consideration

2.1 **Special Policing Services**

2.1.1 The provision of special police services (SPS) is made at the request of any person under section 25 of the Police Act 1996, which makes such services subject to the payment of charges as determined by the relevant Police, Fire and Crime Commissioner and Constabulary. Special Police Services generally relate to policing an event e.g., a pop concert, or series of events e.g., football matches. Special police services are provided over and above the core policing requirement to ensure public safety and the prevention of violence and disorder. Special policing services can only be provided at the request of an event organiser, and it will be for the Chief Constable to determine the level of policing that is required based on a risk assessment, which should then form the basis of a written contractual arrangement between the force and the event organiser. It will often be the case that licensing authorities will require assurance that adequate policing will be in place before granting a license for an event to take place.

2.1.2 The basis of charging depends on the nature of the event being policed. NPCC strongly advocate that policing of commercial events is on a full economic cost basis which includes the recovery of overheads. Cumbria Constabulary's calculations of full economic cost recovery for special policing services from 1st January 2025 are based on current rates of pay using the NPCC standardised rates as shown in **Appendix 1**.

2.1.3 Charging guidance does permit discretion to abate some or all special policing charges where an event is of a non-commercial nature i.e., charitable or community events, particularly where the effective policing of an event is seen as beneficial in building the trust and confidence of the community. Under the financial regulations this is subject to the approval of the Police, Fire & Crime Commissioner or Chief Constable.

2.2 **Provision of Goods and Services to Third Parties**

2.2.1 Under S18 of the Police Act 1996, as amended by Section 15 of the Police Reform and Social Responsibility Act 2011, Police and Crime Commissioners are granted the powers of the Local Authorities (Goods and Services) Act 1970 to supply goods or services to other bodies or persons. In practice the range of goods and services which can be provided under this power are limited in that they have to be supported by Police, Fire and Crime Commissioners' statutory powers. This means that such a service must spin off normal policing activity or be an activity, which is incidental to the provision of the police service.

2.2.2 There are services, which are common to all police forces and unique to the police service, for which the NPCC guidance sets out standard rates of charge across the service as outlined in the table in **Appendix 2**. These charges have been increased in line with NPCC guidance. Within this category there are also some charges which are fixed statutorily.

2.2.3 In a small number of instances charges vary from those advocated by NPCC to better reflect local costs in providing services.

2.2.4 In certain circumstances, services which support the police service may be provided in a competitive market environment - for example training in a particular skill. The general principle in these situations is that charges should at least recover the direct costs of supplying the service but could also be levied up to full economic cost dependent on market conditions.

2.2.5 Ancillary Costs can also be calculated by use of average actual cost. Whilst Force transport costs are reflected in the direct overheads, this would only account for the general use of vehicles for officers to travel to and from the event. Where specialist vehicles (e.g., horse boxes or traffic cars) are required and are fundamental to the deployment (e.g., escorting a wide or abnormal load) the cost of the additional vehicles can be calculated and charged as a supplementary item.

2.2.6 To ensure consistency, it is recommended that for purposes of charging for the escorting of wide and abnormal loads, that in addition to SPS cost of the officers involved, the vehicles and fuel costs are charged as per the rates as shown at **Appendix 5**.

2.3 **Charging for Services to Government Agencies**

2.3.1 The police service increasingly provides a range of services for, and with, other government agencies. These are often part of central government such as the Home Office Immigration Enforcement and His Majesty's Prison and Probation Service, but they may also be arms-length agencies with a quasi-commercial status.

2.3.2 Even where the purpose of activity supports the responsibilities of a separate government body or service, the police force may be securing benefits towards its own objectives. Recovery of costs should be based on Direct Costs and other specific costs incurred.

2.3.3 In the case of quasi-commercial activity, assessment of charges should start with the Operational Resource Costs and add all associated specific costs incurred in the provision of the service and a contribution towards overheads. Market conditions will either provide a practical constraint or allow Full Economic Cost Recovery to be utilised.

2.4 **Provision of Mutual Aid to other Forces**

2.4.1 Mutual Aid under Section 24 / Section 98 of the Police Act 1996 is the provision of policing assistance to another police force. This usually occurs in response to or in anticipation of a major event or incident or investigation.

2.4.2 Mutual aid arrangements cover a wide spectrum of incidents ranging from spontaneous deployments of relatively short duration in response to a major event to pre-planned or prolonged assistance for example in investigating a major crime. NPCC guidance distinguishes between types of mutual aid through a grading system which reflects the characteristics of the event, that will then form the criteria for payment to the individuals involved and therefore the basis for cost recovery. In addition, the guidance provides for additional supplementary charges where specialised resources are provided. A national schedule of charge out rates for police officers to be used by all forces providing mutual aid is used.

2.4.3 Four main types of mutual aid are identified.

- Emergency/Spontaneous deployment
- Planned Deployment/Event
- Specialist Staff Deployments
- International/Overseas Deployments

A grading mechanism has been identified to reflect the characteristics of each deployment. The four grades are:

- Grade 0 Mutual Aid – Bank Holiday deployment
- Grade 1 Mutual Aid – 15 days' notice or less (emergency/spontaneous deployment)
- Grade 2 Mutual Aid – 16 days' notice or more (planned deployment/event)
- Grade 3 Mutual Aid – International Mutual Aid

The latest NPCC mutual aid charges are included in **Appendix 3** to this report.

2.4.4 Vehicle usage costs on mutual aid should be calculated according to an agreed rate per day as per **Appendix 4**. This includes elements for wear and tear and running costs. In the case of the provision of a vehicle only without staff, vehicles should be supplied fully fuelled and returned likewise. This practice will negate the administrative burden of recovering low levels of expense. Capital costs and depreciation, servicing, tyres, insurance etc. will be covered by that cost. For vehicles transporting staff on mutual aid, such as public order carriers then fuel is not covered by the stated cost and is an additional factor.

2.4.5 NPCC advocate that the provision of PCSOs and Police Staff support under mutual aid arrangements is legitimate, although this is likely to be less common. Deployment of police staff should be recompensed based on employable cost for that spinal column point at appropriate overtime rates. All other costs relating to the deployment of mutual aid staff should be agreed and charged to the host on an actual cost basis. In addition, NPCC guidance states that an administrative charge of 5% of the total of actual costs incurred also be levied to cover on costs such as uniform, equipment, insurance, and the costs of organising support, often at short notice.

3. Financial Comments

3.1 Schedules of revised charges are set out in the appendix to this report.

4. Legal Comments

4. 1 The legal basis on which charges for Policing Services are made are set out in the report.

5. Risk Implications

5.1 There are no specific risks identified related to the charging policy.

6. HR / Equality Comments

6.1 N/A

7. I.T. Comments

7.1 N/A

8. Procurement Comments

8.1 N/A

APPENDICES

Appendix 1 - Special Policing Services

Appendix 2 - Other Charges

Appendix 3 - Mutual Aid Charges

Appendix 4 – Vehicle Cost Recovery

Appendix 5 – Vehicle Costs for Escorting Abnormal Loads

Special Policing Services charged under section 25 of the Police Act.

(Charges are based on NPCC Guidance for Charging of Police Services -January 2025).

Police Officers – Full Economic Cost Recovery Rates

Rank	2024 Charge per Hour Normal	2024 Charge per Hour Bank Holiday	2024 Charge per Hour Bank Holiday (less than 8 days notice)	2025 Charge per Hour Normal	2025 Charge per Hour Bank Holiday	2025 Charge per Hour Bank Holiday (less than 8 days notice)
Constable	82.08	109.44	164.15	88.09	108.32	140.71
Sergeant	102.37	136.5	204.75	111.33	136.53	178.83
Inspector	99.51	n/a	n/a	107.47	n/a	n/a
Ch Inspector	105.85	n/a	n/a	114.11	n/a	n/a
Superintendent	131.73	n/a	n/a	141.53	n/a	n/a
Ch Superintendent	n/a	n/a	n/a	162.9	n/a	n/a

Staff – Full Economic Cost Recovery Rates (January 2025)

Scale	2025 Charge per Hour £	2025 Charge per Hour - Bank Holiday £
PCSO	69.30	84.86
Police Staff £20,000 -£30,000	48.79	n/a
Police Staff £30,001 - £40,000	64.50	n/a
Police Staff £40,001 -£50,000	80.21	n/a
Police Staff £50,001 -£60,000	88.04	n/a
Police Staff £60,001 -£70,000	84.49	n/a
Police Staff £70,001 -£80,000	96.01	n/a
Police Staff £80,001 -£90,000	107.53	n/a
Police Staff Over £90,000	119.05	n/a

VAT may apply to charges for special policing services in circumstances where the service could be provided by other organisations. Please consult your financial services officer for further guidance.

Other Charges

(Charges are based on NPCC Guidance for Charging of Police Services January 2025)

2024/25 £		Jan-25 £
	Accident Reports	
123.30	Copy of Collision Report (full extract up to 30 pages)	**125.90**
5.50	Additional pages for same incident (per page)	**5.60**
43.80	Limited particulars (RT Act details)	**44.70**
43.80	Copy of self-reporting / minor accident form	**44.70**
30.40	Information / record search	**31.10**
702.85	Forensic Collision Investigator - Technical Report **(Cumbria Decision*)**	**716.91**
105.50	Forensic Collision Investigator - Reconstruction video	**107.70**
35.20	Forensic Collision Investigator - Rough Data **(per page)**	**35.90**
53.00	Copy of Scale plan - other than in collision report	**54.20**
87.90	Forensic Collision Investigator / Forensic Vehicle Examiner - Vehicle Examination Report (**unless provided as full extract**)	**89.70**
5.50	Forensic Collision Investigator / Forensic Vehicle Examiner - Reconstruction Report **(unless provided as full report)**	**5.60**
Per hour + 65.60	Forensic Collision Investigator - adhoc requested services	**Per hour + 66.90**
92.10	Specialist Report - (CCTV/Tachograph/Vehicle download) if separate	**94.00**
82.10	External Expert Report - requested by force	**83.90**
Cost + 82.10	External Expert Report - requested by external party	**Cost + 83.90**
	Copies of Photographs	
36.30	From Digital camera (**per disc or contact sheet**)	**37.10**
71.60	Curated photo sets (per 10 digital photos or part thereof)	**73.10**
Per hour + £36.30	Video footage - Police (handheld,d rome, vehicle mounted or body worn video) - Per hour rate for reviewing and redaction)	**Per hour + 37.00**
35.7	3D Virtual World - Simulations/Fly Thoughs - Already Prepared	**36.40**
Per hour + £35.7	3D Virtual World - Simulations/Fly Thoughs - Requested	**Per hour + 36.40**
36.30	Dashcam, Drone & CCTV Footage - Public/Private	**37.00**

*Forensic Collision Investigator – The NPCC charge for 2025 for this service is £540.10 but the locally agreed price is £716.91 per report to allow for full cost recovery.

2024/25 £		Jan-25 £
	Other common items	
112.00	Crime report	**114.30**
44.70	MG5 - Offence Report	**45.60**
44.70	MG3 - Report to CPS for a charging decision, decision log and action plan	**45.60**
45.50	Incident / Call Log	**46.50**
67.30	Domestic Violence Report	**68.70**
22.60	Occurrence Summary	**23.10**
22.60	Custody Record	**23.00**
£44.50	Motor Salvage Operator Check (Cumbria Decision)	**45.40**
	ACRO Services - provided only to authorised agencies with a lawful basis to information	
16.00	PNC Names Enquiries	**16.50**
97.80	PNC Record Creation	**100.00**
33.00	International Criminal Convictions	**34.00**
65.00	Police Certificates - Standard Service	**65.00**
115.00	Police Certificates - Premium Service	**115.00**
90.00	International Child Protection Certificates	**90.00**
	Alarm URN Fees (set by Police Crime Prevention Initiatives)	
55.60	*Alarm Registration (Intruder)	**56.70**
55.60	*Alarm Registration (Panic Alarm)	**56.70**
67.10	*Lone Worker Devices up to 10,000	**68.60**
100.70	*Lone Worker Devices 10,001 - 50,000	**102.80**
134.30	*Lone Worker Devices 50,001 and over	**137.10**

* Fee rise is due from 1st April 2025

Intellectual Property Rights and Copyright					
£ Per image -2024/25		**Still Images**		**£ Per image - Jan-25**	
Time Limited Use	In Perpetuity	**Usage**	**Region/Type**	**Time Limited Use**	**In Perpetuity**
100.00	200.00	Books	UK	**102.10**	**204.20**
110.00	220.00		Europe	**112.30**	**224.60**
120.00	240.00		Worldwide	**122.50**	**245.00**
110.00	n/a	Newspapers & Magazines	Single Use	**112.30**	**n/a**
65.00	n/a	Internet	Non-commercial	**n/a**	**132.70**
175.00	n/a		Commercial	**n/a**	**357.40**
120.00	275.00	TV / Film	UK	**122.50**	**280.80**
175.00	350.00		Europe	**178.70**	**357.40**
275.00	550.00		Worldwide	**280.80**	**561.60**
£ per 15 seconds		**Footage**		**£ per 15 seconds**	
Time Limited Use	In Perpetuity	**Usage**	**Region/Type**	**Time Limited Use**	**In Perpetuity**
120.00	122.50	TV / Film	UK	**122.50**	**250.10**
175.00	178.70		Europe	**178.70**	**377.80**
275.00	280.80		Worldwide	**280.80**	**597.30**
65.00	n/a	**Internet**	Non-commercial	**n/a**	**132.70**
175.00	n/a		Commercial	**n/a**	**357.40**

The above Section 15 charges are generally subject to VAT at the current rate except where a service required by statute or authority direction.

Firearms Licensing Charges
(Set by Statute effective from 5th February 2025)

It should be noted that the charges below are set with reference to Statutory Instruments.

2024/25 £	Firearms Licensing Fees	From 05/02/25 £
88.00	Firearms Certificate grant	**198.00**
62.00	Firearms Certificate renewal	**131.00**
4.00	Firearms Certificate replacement	**9.00**
79.50	Shotgun Certificate grant	**194.00**
49.00	Shotgun Certificate renewal	**126.00**
4.00	Shotgun Certificate replacement	**9.00**
90.00	Shotgun Certificate grant (co-terminus / including Firearms Certificate)	**202.00**
65.00	Shotgun Certificate renewal (co-terminus / including Firearms Certificate)	**155.00**
20.00	Visitors Permit (Individual 1-5) per person	**47.00**
100.00	Visitors Permit (Group 6-20) in total	**233.00**
84.00	Home Office Club approval	**84.00**
200.00	Registered Firearms Dealer registration	**466.00**
200.00	Registered Firearms Dealer renewal	**466.00**
13.00	Game Fairs	**30.00**
20.00	Variation (not like for like)	**47.00**
200.00	Firearms Museum License	**200.00**
2024/25 £	**Other Licensing Fees**	**Statutory Charges £**
12.25	Peddler Certificates	**12.25**

Other charges
(Set by Statute effective from 1st January 2025)

2024/25 £	Other Licensing Fees	Statutory Charges £
12.25	Peddler Certificates	**12.25**

Appendix 3

Mutual Aid Charges

(Charges as per NPCC Guidance on Mutual Aid Cost Recovery 2024/25 from 1st April 2024 and are yet to be updated for 2025/26)

	Constable	Sergeant	Inspector	Ch Insp	Supt	Ch Supt
Grade 0 Mutual Aid						
Hourly Rate - BH	£57.32	£72.92	£55.29	£59.46	£73.06	£84.60
Grade 1 Mutual Aid						
Hourly Rate	£42.99	£54.69	£55.29	£59.46	£73.06	£84.60
Grade 2 Mutual Aid						
Hourly Rate	£38.12	£48.49	£55.29	£59.46	£73.06	£84.60
Grade 3 Mutual Aid						
Hourly Rate	£42.99	£54.69	£66.35	£71.35	£87.67	£101.52

Premium Factors for Specialised Resources

Following discussions with NPoCC, it has been concluded that the current premium factors are no longer valid. To rationalize this, NPoCC has suggested all Role Profiles will be categorized as **Individual Deployed Resources (IDR)**, apart from Horse and Marine Units, which will be categorized as **Team Deployed Resources (TDR)**.

The four gradings of Mutual Aid deployment are:

Grade 0 Mutual Aid is for Bank Holiday deployments.

Grade 1 Mutual Aid corresponds to an emergency/ spontaneous deployment. Notice of 0-15 days, de-minimis of 65 hours applies.

Grade 2 Mutual Aid corresponds to a planned deployment/event. Notice of over 16 days.

Grade 3 Mutual Aid corresponds to International Mutual Aid.

(Please note Grade 0 takes precedence, regardless of whether spontaneous or planned deployment of Mutual Aid.)

In all cases charges are based on hours worked plus travel. When in compliance with Home Office Circular 010/2012, 'away from home overnight allowances' and 'hardship allowances' are paid to officers held in reserve for mutual aid duties. The providing force will make a charge to the host force to retrieve the costs of making the allowances

Appendix 4

Vehicle Cost Recovery

Provision of Vehicle Only	Daily Rate £	Miles Per Litre
Public Order Carrier	65.00	5
General Purpose Van	40.00	6
Electric ONLY Vehicle	54.00	N/A
Marked Car	45.00	6
Unmarked Car	35.00	7
Motorcycle	35.00	8
Firearms ARV	54.00	5
Armoured Vehicle	65.00	4
Other Specialist e.g. Mobile Police Station	130.00	N/A
Other Motorised Equipment	#	#

Recover actual cost on agree basis

Daily rates for vehicles will be subject of an annual notification for any inflationary increase by NPCC FCC. Fuel recovery will be charged at actual mileage travelled at the specified miles per litre rate that will be set by NPCC FCC and reviewed at appropriate periods.

Where hybrid fuel vehicles are used, normal fuel mileage rates will be assumed, and battery charging will not be reimbursed.

For electric ONLY vehicles, battery-charging cost is included in daily rate. Any battery charging at host police location (where charging point available) will be provided by host free of charge.

Appendix 5

Vehicle Costs for Escorting Abnormal Loads

Vehicle Type	Daily Rate £	Miles Per Litre	Fuel Cost Per Mile £
Marked Car - petrol/diesel	45.00	6	0.2478
Marked Car - electric only	54.00	N/A	N/A
Motorcycle	35.00	8	0.1760