



Police and Crime Panel for Leicester, Leicestershire and Rutland

1st December 2025

Finance and MTFP Update

Report Date	7 th November 2025
Report Author	Kira Knott, Chief Finance Officer
Security Classification	Not Protectively Marked

Purpose of Report

1. At the Police and Crime Panel meeting in February 2025 the panel were presented with the 2025/26 budget requirement, the MTFP for the period of 2025/26 to 2028/29 and the precept proposal.
2. This report provides an update on the financial position for 2025/26, an updated MTFP including an update on the assumptions, an update on the pressures facing the policing area over the MTFP and progress made towards the efficiency savings target.

Request of the Panel

3. In their role to scrutinise the actions and decisions of the PCC, the Commissioner requests that the panel examines the contents of this report. He would specifically like to ask the panel their opinion on the following questions;
 - a. is the Panel content in the way that the PCC has held the Chief Constable to account on this important subject?
 - b. Would the panel like to make any recommendations to the PCC in relation to this matter?

Local Context

4. Leicestershire Police are within the lower levels of funding received nationally in comparison to other forces. The strategic approach to the budget deficit has been to ensure it overcomes this challenge by integrating effectively the workstreams to reduce the budget with the broader force transformation work.
5. The Commissioner has received regular updates from the Chief Constable on the how the Force is achieving the budget deficit targets, whilst still ensuring the force can deliver its core functions, deliver good service and high standards.
6. The outturn forecast for the current year is £252.070m. This is a positive variance of £2.475m (0.97%) against the annual net revenue budget of £254.545m. This is likely to change as we continue through the financial year. The underspend has been achieved from an overachievement of savings and staff vacancies as set out in paragraphs 29 – 31.

Comprehensive Spending Review

7. The Comprehensive Spending Review (CSR) was published 11th June 2025. Whilst precise force level budget allocations were not made available, there were a few key points to take away which could be used as an indicative for planning purposes.

8. The CSR shows planned growth of circa £2bn over the next 3 years which represents a 11% increase (approx. 3.7% per year) and is technically a real terms increase. However, in practice most of the increase in funding will be taken up in pay and non-pay inflation. The increase in funding also assumes that PCC's maximise precept increases which is not certain.
9. The published CSR figures indicate funding growth for policing of approximately £0.9bn, £0.7bn and £0.5bn for the next three-year period. This declining trajectory means that financial pressures will intensify as pay and inflationary costs continue to rise and absorb a greater share of force budgets.
10. There has been no clarity on precept funding to aid financial planning and the £2bn increase is assumed to be made up of grant, precept and additional income such as PUP maintenance grant and Neighbourhood policing grant. The precise split between the funding stream is not known.
11. It is evident that there is no additional funding for capital investment, delivery of the government safer streets mission, pay reform or any technology advances.

Financial Planning Assumptions - Income

12. There are a number of uncertainties around the level of funding that the PCC will receive over the MTFP. The assumptions presented to the Police and Crime Panel in February included the following assumption relating to income:

Assumptions	2025/26	2026/27	2027/28	2028/29
Increase in Central Government funding (%)	2.7	1.0	1.0	1.0
Precept Increase (%)	4.89	4.66	4.46	4.27
Precept Increase (£)	14.00	14.00	14.00	14.00
Tax Base Increase	1.65	1.50	1.50	1.50
Collection Fund (£000)	187	187	187	187

13. At Corporate Governance Board on the 8th July 2025, it was agreed to update the assumptions in line with the information obtained from the spending review, national guidance and professional judgement.
 - a. Central grant funding – it was agreed to assume an increase of 1% per annum from 2026/27 onwards. This is equivalent to c.£1.4m per annum.
 - b. Precept increase – it was agreed to continue to assume the precept referendum limit will remain at an increase of £14 per annum for a Band D property. A £1 increase is equivalent to c.£0.355m.

- c. Tax base – It was agreed for the taxbase to remain at an estimated increase of 1.5%.
- d. The government announced that there would be £120m of funding available to meet the part-year pay award for 2025/26 in excess of 2.8% (the amount advised to include in the budget). Police officers and Police staff have been awarded a pay award of 4.2%. Leicestershire's share of the available funding is £1.79m, £91k less than the actual cost of the part-year pay award. No additional funding has been confirmed to fund the ongoing cost of the pay award therefore it is assumed that the ongoing costs are included in the growth figures set out in paragraph 11.

14. Based on the above information the estimated funding expected to be received is as follows:

Estimated Funding at Budget Setting	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m
Home Office Grant	149.6	151.0	152.4	153.8
Precept	105.1	111.6	118.3	125.2
Estimated available funding	254.7	262.6	270.7	279.0
Estimated Funding as at Jul 2025	£m	£m	£m	£m
Home Office Grant	149.4	150.8	152.3	153.7
Precept	105.1	111.6	118.3	125.2
Estimated available funding	254.5	262.4	270.6	278.9
Difference	(0.2)	(0.2)	(0.1)	(0.1)

Financial Planning Assumptions – Expenditure

15. There were a number of assumptions presented at the Police and Crime Panel in February relating to expenditure which any changes would have significant impact on the MTFP. The following assumptions were included within the MTFP in February:

Assumptions	2025/26	2026/27	2027/28	2028/29
Pay Inflation - Police Officers (%)	2.80	2.00	2.00	2.00
Pay Inflation - Police Staff & PCSOs (%)	2.80	2.00	2.00	2.00
Non-Pay Inflation (%)	5.00	2.00	2.00	2.00

16. Pay inflation – Pay Inflation was assumed at 2.0% for 2025/26 with an additional 0.8% earmarked in the reserves and 2% for the remainder of the

MTFP. Due to uncertainties, it was agreed at Corporate Governance Board that the pay inflation assumption is to remain at 2% for each year of the MTFP.

17. Non pay inflation – the average total increase is estimated to be 2% per annum for 2026/27 onwards. A 1% increase/decrease is c.£0.5m.

Sensitivity Analysis

18. Funding from both local and national sources are likely to cause material impact on the MTFP and are often announced late in the planning process. Therefore the assumptions built on these uncertainties should be stress tested to understand the material impact of each of these on the MTFP.

19. The following table highlights the financial impact each assumption has on the MTFP if they were to change by either 1%; or the in the case of Precept; £1:

Assumptions	Change	£m
Government Funding	1%	1.4
Precept	1%	1.1
Precept	£1	0.4
Tax Base	1%	1.1
Pay Inflation	1%	2.2
Non Pay Inflation	1%	0.5

20. Central grant funding - A 1% increase/decrease would be c.£1.4m per annum. If government grant is set at flat cash this would result in a further deficit of £1.4m for 2026/27, £2.9m for 2027/28 and £4.3m for 2028/29. If government grant was to increase in line with current inflation (3.8%) this would result in additional income of £4.3m for 2026/27.

Sensitivity Analysis	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
<u>Government Grant</u>				
Current Assumption (1%)	149.4	150.8	152.3	153.7
Flat Cash		149.4	149.4	149.4
Deficit increase by		1.4	2.9	4.3
Increase by 3.8% (current rate of inflation)		155.1	161.0	167.1
Deficit decrease by		(4.3)	(8.7)	(13.4)

21. Precept – The Commissioner has not made any decisions around the level of precept for 2026/27 and beyond. The precept has been modelled on a number of different scenarios and for illustrative purposes the below analysis models £14 increase, 3.8% increase and £20 increase. A £1 increase is equivalent to c.£0.35m. If the referendum limit is set at 3.8% (approx. £11 for 2026/27) instead of £14 this would increase the deficit by £2.5m for 2026/27, £5.1m for 2027/28 and £7.7m for 2027/28. If the referendum limit was increased to £20 instead of £14 this would provide an additional £2.1m for 2026/27.

Sensitivity Analysis	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
<u>Precept</u>				
Current Assumption (£14)	105.1	111.6	118.3	125.2
Increase by rate of Inflation (3.8%)		109.1	113.2	117.5
Deficit increase by		2.5	5.1	7.7
Increase by £20		113.7	120.9	128.0
Deficit decrease by		(2.1)	(2.6)	(2.8)

Updated MTFP

22. The MTFP was reviewed in July including a review of the current assumptions, the pressures identified in year and the savings identified as part of the efficiency savings target.
23. A MTFP has to be formulated using the best information available at the time of producing it. The updated MTFP has been produced on this basis, accepting that it is subject to change as new information emerges that can and will, change the assumptions inherent in the plan.
24. Upon updating the current assumptions, in year pressures and savings the table below shows the forecast movement in the MTFP since the budget was set in February:

MTFP	2025/26	2026/27	2027/28	2028/29
Budget Gap reported at PCP in Feb	-	(2.9)	(3.9)	(1.6)
Add back Efficiency Savings Target	(1.1)	-	-	-
Revised Budget Gap	(1.1)	(2.9)	(3.9)	(1.6)
Pressures	(0.8)	(1.9)	(1.9)	(1.9)
Savings	2.8	4.3	3.3	3.3
Budget monitoring	1.6			

2024/25 Pay Award Grant				
Review of Assumption		(0.2)	(0.1)	(0.2)
Revised Budget Gap	2.5	(0.7)	(2.6)	(0.4)

25. Taking into account the changes within the MTFP, the extent to future savings options are required depends upon the scale of the funding gap arising from the outcome of the Settlement, future pay awards, non-pay inflation etc. described above.

Pressures and Savings

26. In light of the financial pressures as a result of insufficient funding, underfunded pay awards and high inflation costs highlighted at the Police and Crime Panel in February, Leicestershire Police found themselves with a £9.3m budget deficit going into 2025/26.

27. As part of the review a number of other pressures have been identified which impact on the medium-term financial plan. These include:

- a. IT charges – these are not usually notified until late January / February after the budget and precept have been agreed and continue to rise. The increase for 2025/26 was 10% (total annual cost c.£1.9m). Estimated increases of £0.35m have been included in each year from 2026/27 onwards.
- b. Other non-pay pressures – cost increases relating to seized dogs, insurance, etc. are currently estimated at £1.1m in 2025/26 and rising. Most are to be confirmed in the coming months.
- c. Savings – the original savings target for 2025/26 was estimated at £9.3m. When the budget was approved in February, a total of £8.2m savings had been identified leaving a balance of £1.1m to be delivered. Savings totalling £10.3m have now been achieved thereby balancing the budget.
- d. The cost of pay award and associated funding have not been included within the MTFP however there is a shortfall of £91k between the cost the pay award above 2.8% and agreed funding which will create an additional pressure. There has been no indication of funding available for ongoing costs of the pay award.
- e. Neighbourhood Policing Uplift 13,000 – a total of 56 FTEs will be recruited in 2025/26 (23 officers, 21 PCSOs, 12 Staff), the cost of which, including non-pay elements, is estimated to be c.£2.7m and will be grant funded in full. No additional staffing costs or grant funding is currently included in the MTFP for future years until the allocations are known.

28. Despite ongoing efforts to overcome the budget challenges and the agreed use of the strategically generated 2024/25 underspend, and the use of reserves, the funding gap was reduced to £1.1m.

29. Additional savings and income have been identified in year resulting in an overachievement of the savings target by £0.9m.

	£m
Budget Deficit	9.3
Savings identified as part of budget setting	-8.3
Residual funding gap (as reported in Feb)	1.1
Under-achievement Police Staff Savings	0.4
Under-achievement of Income relating to recharge of Officers time	0.4
Additional Grant Income	-2.0
Savings on debt charges	-0.5
Non-Pay Savings	-0.3
Overachievement of savings target	-0.9

30. The Force and OPCC have either realised, or on track to realise the £8.3m savings identified as part of the budget process with exception to the following two areas:

- a. £1.4m saving was budgeted relating to reorganisation of Police Staff roles however only £1m will be realised.
- b. £0.4m underachievement of income relating to the recharge of officers to regional collaborations, as a result of the officer establishment reducing for the unit.

31. In addition to the savings identified above, additional grant income has been awarded which reduces the funding gap by £2m. A further £0.5m has been realised from debt charges and £0.3m non-pay savings relating to national ICT costs and online rental charges. This resulted in the overachievement of the savings target by £0.9m.

32. The 2025/26 budget is forecast to underspend, not only due to the over achievement of the savings target, but also largely due to police staff vacancies across the organisation and overachievement of the vacancy rate set at budget setting.

Budget Setting Process

33. The budget process for 2026/27 is currently underway and both the Force and OPCC are working to build a bottom-up budget based on the budget requirements of the Force and OPCC.