



**POLICE & CRIME
COMMISSIONER**
for Leicester,
Leicestershire & Rutland
Your Communities - Your Commissioner

Police and Crime Panel

4th February 2026

Proposed Precept Report for 2026/27

Report Date	22 nd January 2026
Report Author	Kira Knott, Chief Finance Officer
Security Classification	Official

Purpose of Report

1. In his role as the Police and Crime Commissioner (PCC) the Commissioner is required to secure efficient and effective policing for Leicester, Leicestershire and Rutland and set the budget and precept.
2. The PCC brings this report to outline the Policing budget for Leicestershire for 2026-27 and put forward a policing precept proposal for consideration by the Panel.

Request of the Panel

3. The Panel is asked to:
 - 3.1 Note the information presented in this report, including:
 - the total 2026-27 net revenue budget of £267.044m,
 - a council tax (precept) request for 2026-27 of £110.563m,
 - the future risks, challenges, uncertainties and opportunities included in the precept proposal, together with the financial and operational considerations identified.
 - the Home Office grant allocations notified through the provisional settlement and the Band D council tax base and estimated collection fund deficit received from the billing authorities.
 - the current Medium-Term Financial Plan (MTFP) contained in Appendix 1, the Operational Policing Context to Budget Allocation at Appendix 2, the Capital Strategy at Appendix 3 and the Treasury Management Strategy at Appendix 4.
4. The Commissioner would specifically like to ask the Panel to support his proposal to increase the 2026-27 policing element of the precept by £11.00 per annum to £311.2302 (3.66%) for a Band D property.

Commissioner's Foreword



Setting the revenue and capital budget for the various matters for which the Police and Crime Commissioner (PCC) is responsible – the police force, crime prevention, victim services and related services – is perhaps the most impactful task that faces any PCC.

Having had experience of the previous process for budget setting, I this year introduced a new system. This was designed to allow for extra time to study proposals and background documents and to give all involved additional opportunities to present evidence, give their views or ask questions. This process was communicated to the Chief Constable and Chief Executive on 5th November and has been adhered to throughout.

At an early stage in the process, I explained to both the Chief Constable and Chief Executive that I was concerned by the increases in taxation being imposed on local residents and businesses by the central government and the impact that this might have on the economy as well as on individuals who might lose their jobs, suffer a drop in disposable income or otherwise suffer financial hardship. I had no wish to add to the tax burden across Leicester, Leicestershire and Rutland unless absolutely necessary. As a consequence, I would expect the Chief Constable and Chief Executive to explain clearly the types and levels of service that the public would receive for the proposed budget requirement of their respective organisations.

I also undertook a survey of public opinion on the matter of the policing precept. The results of this showed a majority in favour of an increase in the precept but no overall agreement on the size of the increase. There was also a significant percentage of respondents [31%] opposed to any increase at all.

Both the OPCC Chief Executive and the Chief Constable submitted papers to the meetings as per the schedule tabulated above. At the meetings there were lengthy discussions around points of detail and wider issues. These were continued in writing as emails and more formal papers.

I have also had regard to the Reserve Strategy as set out by the Chief Financial Officer and have based decisions regarding the reserves on this.

Regarding the Medium Term Financial Plan [MTFP], it would be remiss of me not to mention that the forecasts discussed by Financial Scrutiny and Oversight Board (FSOB) on 19 January are rather concerning. Across the term of the MTFP the deficit position is estimated to build to £16m by 2029/30. The key problem here is the lack of funding given to the Leicestershire PCC over the years by governments of both Labour and Conservative. Consequently the answer to the underlying structural issues is to be found at national level. Any decisions taken locally are unlikely to materially affect the MTFP by more than a relatively small amount.

However, all such projections are based on assumptions, including settlement from central government, precept levels, grant income and likely expenditure – all of which are likely to vary at short notice and may do so quite substantially. These figures and their unstable nature were taken into account by myself during decision making.

On 22 December, as scheduled, I wrote to the Chief Constable and OPCC Chief Executive to outline a provisional decision. There followed a period of consultation, as allowed for in my preferred extended budget-setting process. As a result of this consultation the draft budget allocations were altered and refined. A final decision was communicated in writing to the Chief Constable and Chief Executive on 20 January, after a meeting of FSOB on 19 January.

Taking all the above factors into account, I am recommending to this Panel that the Policing Precept be raised by £11, a little more than inflation. The proposed budgets of the OPCC and the Force are attached for information. I would ask the Panel to note that the OPCC budget is falling by 3% and that the Force budget is rising by 5%. This means that the respective shares of the overall funds available have changed in the Force's favour so that for the first time since I became PCC the Force will now have more than 98% of all funds. This decision also takes into account my underlying concerns about the tax burden on local residents and businesses.

Rupert Matthews
Police and Crime Commissioner for Leicester, Leicestershire and Rutland

1. Executive Summary

- 1.1. This report, and the Precept proposal, is the culmination of several months' work by the Office of the Police and Crime Commissioner (OPCC) and Force colleagues, and takes account of public and stakeholder consultation, key government announcements and economic pressures.
- 1.2. The Police Grant Provisional Settlement was announced on 18th December 2025 in a written statement, setting out the police funding envelope for 2026/27.
- 1.3. The provisional settlement headlines were as follows:
 - funding for police forces will be £18.3bn, an increase in funding from 2025-26 of £746m.
 - this equates to 4.2% increase in cash terms, a 2% real terms increase.
 - Funding for Police, including Counter Terrorism in 2026/27 will increase by £798m compared to the 2025/26 Police Settlement, to £19.5bn.
 - This represents a 4.3% increase in overall funding and indicates that counter terrorism policing will increase by at least £52m (to £1.2bn).
 - Police Referendum Principles confirmed a maximum £15 precept increase for a Band D property in 2026/27.
 - Police Reform White Paper to be published in early 2026.
- 1.4. Other than the information above, the details provided in the provisional settlement were limited and has required a degree of speculative analysis both nationally and locally.
- 1.5. The Commissioner has been briefed on the current and emerging operational challenges, both nationally and locally by the Chief Constable, with reference to the Force Management Statement and recent HMIC Peel inspection and has considered this advice in preparing the budget for 2026-27.
- 1.6. The Commissioner has been briefed on the current financial landscape, which has become a challenging one for policing. A nationally-set pay agreement for all Police Officers and Police Staff, higher inflation, changes in legislation, volatility in the energy and fuel markets and other inflationary pressures have put significant pressure on the Force's budget.
- 1.7. The budget is focussed upon the Commissioner's priorities as contained within the Police and Crime Plan and the Strategic Policing Requirement and ensures there are strong links with the Force Target Operating Model (TOM).
- 1.8. The PCC and Force are taking a holistic approach to Prevention. As such the OPCC and the Force are working together to continue to deliver a joined-up approach to prevention and have agreed a joint prevention strategy 2024-2028. This is to maximise the impact on preventing and reducing crime, harm and demand through pursuing an integrated approach to the planning, commissioning and delivery of prevention activity across the OPCC and the Force and in collaboration with communities and partners.
- 1.9. Over the last 3 years £23.3m of savings have had to be sought to close the budget deficit. The budget included a £5.4m efficiency savings target for 2023/24, an £8.6m

deficit for 2024/25 and £9.3m deficit for 2025/26. An further £3.6m will need to be removed in order to balance the budget in 2026/27.

- 1.10. The Commissioner has received regular updates from the Chief Constable that the efficiency targets are being achieved, whilst still ensuring the Force can deliver its core functions, deliver good service and high standards.
- 1.11. The Police Officer and Police Staff pay awards for 2025/26 was confirmed in August 2025 and November 2025 respectively at 4.2%. Funding was provided to meet the part-year pay award for 2025/26 in excess of 2.8%.
- 1.12. The Reserve Strategy has been reviewed as part of the budget setting process and the Commissioner has considered the adequacy of reserves. The General Reserve will remain at 2.3% of net revenue budget which will result in a transfer to the reserve of £340k.
- 1.13. As at end of November 2025, the outturn forecasted for 2025/26 is £250.953m. This is a positive variance of £3.592m (1.4%) against the annual net revenue budget of £254.545m.
- 1.14. In considering the proposed level of precept, the Commissioner was keen to consult with local residents regarding the level of precept they were prepared to pay. To this end he offered all residents of Leicester, Leicestershire and Rutland the opportunity to give their views.
- 1.15. The survey was launched on 21st November, prior to the precept referendum limit being announced, to increase engagement and wider participation. However this meant that the precept threshold wasn't included as an option as this was not made available at this point.
- 1.16. The survey asked if residents of LLR were supportive of increasing council tax and were provided with a number of options. The outcome of the survey was as follows:

Option	Description	Indicative cost increase per week for Band D property	Percentage of responses for each option
Option 1	Paying more to contribute towards the ongoing financial pressures of Leicestershire Police	+30p	38%
Option 2	Matching the increase from last year (25/26)	+27p	18%
Option 3	Paying more to contribute to the costs of the pay award (4.2%)	+24p	4%
Option 4	Paying more to contribute to the costs of inflation (3.8%)	+22p	9%
Option 5	No increase	0p	31%

- 1.17. There were 1544 responses to the survey. Overall, 69% of respondents were supportive of an increase to council tax to support the financial pressures, of which 38% were supportive of paying up to 30p per week (equivalent to £15.60 for a Band D property).

2. Leicestershire Context

- 2.1. This section sets out some key information in relation to the policing area and the external factors that are driving demand which have a significant impact on policing in Leicester, Leicestershire and Rutland. Chart One - Leicestershire Police Funding 2017-2026
- 2.2. Chart One shows what has happened to core grant funding and the locally raised precept since 2017/18. It shows the actual cash grant received each year and does not consider the real terms changes in funding.
- 2.3. The chart shows that core grant funding has increased from £106.9m in 2017-18 to £149.4m⁽¹⁾ for 2026-27 an increase of 40%.
- 2.4. The graph also shows that the funding raised locally has increased significantly over the same period. In 2017-18 £66.2m was raised directly from residents of the area (and related grants) and for 2026-27 this will increase to £117.6m. An increase of £51.4m or 77.6% over the period.

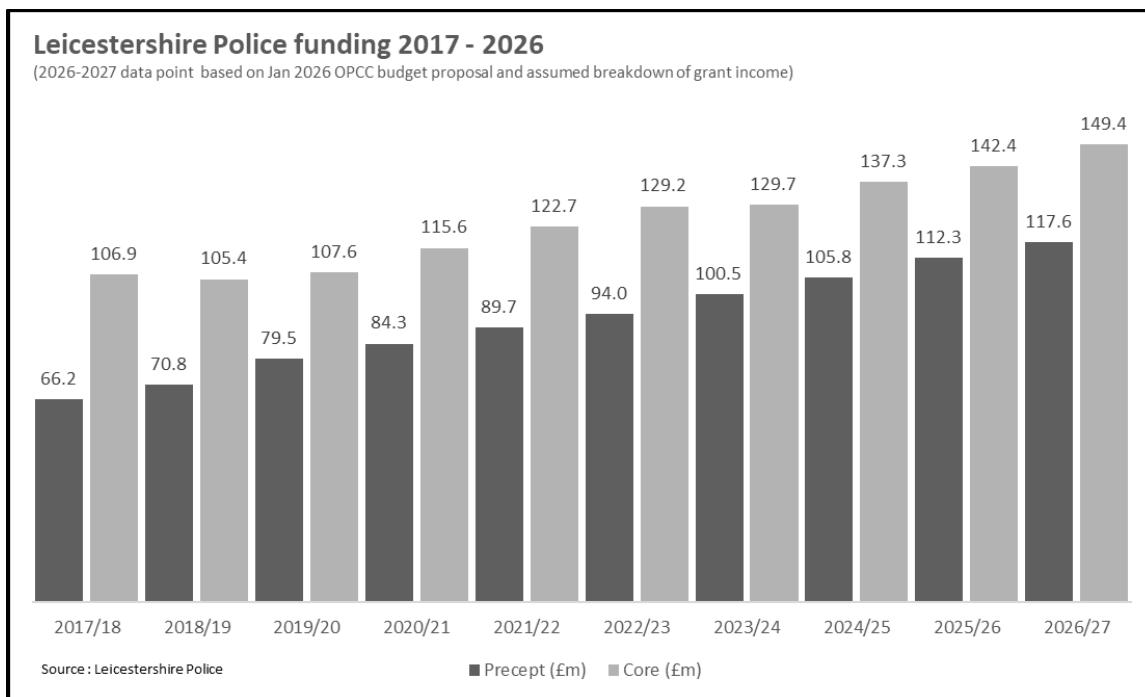


Chart Two - Leicestershire Police Funding Split 2017-2026

- 2.5. Chart Two demonstrates how the total funding has moved between Core Grant and Precept Funding since 2017-18. It shows that in 2017-18 62% of the funding came from Core Grant with the balance of 38% coming from the local precept. For 2026-27 this has moved significantly to show that 56% of the total funding will come from Core Grant⁽¹⁾ and that 44% of funding now comes directly from the local taxpayer (and related grants).

⁽¹⁾ Based on assumed split between core grant funding and other grants such as Neighbourhood Policing grant and Uplift Maintenance Grant

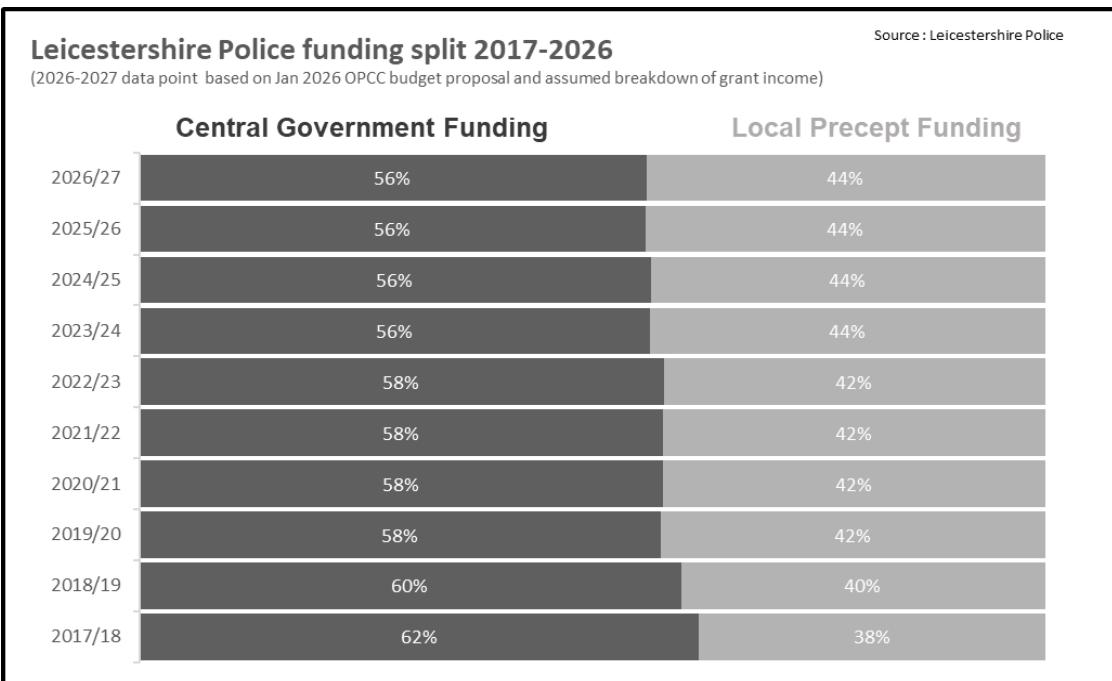
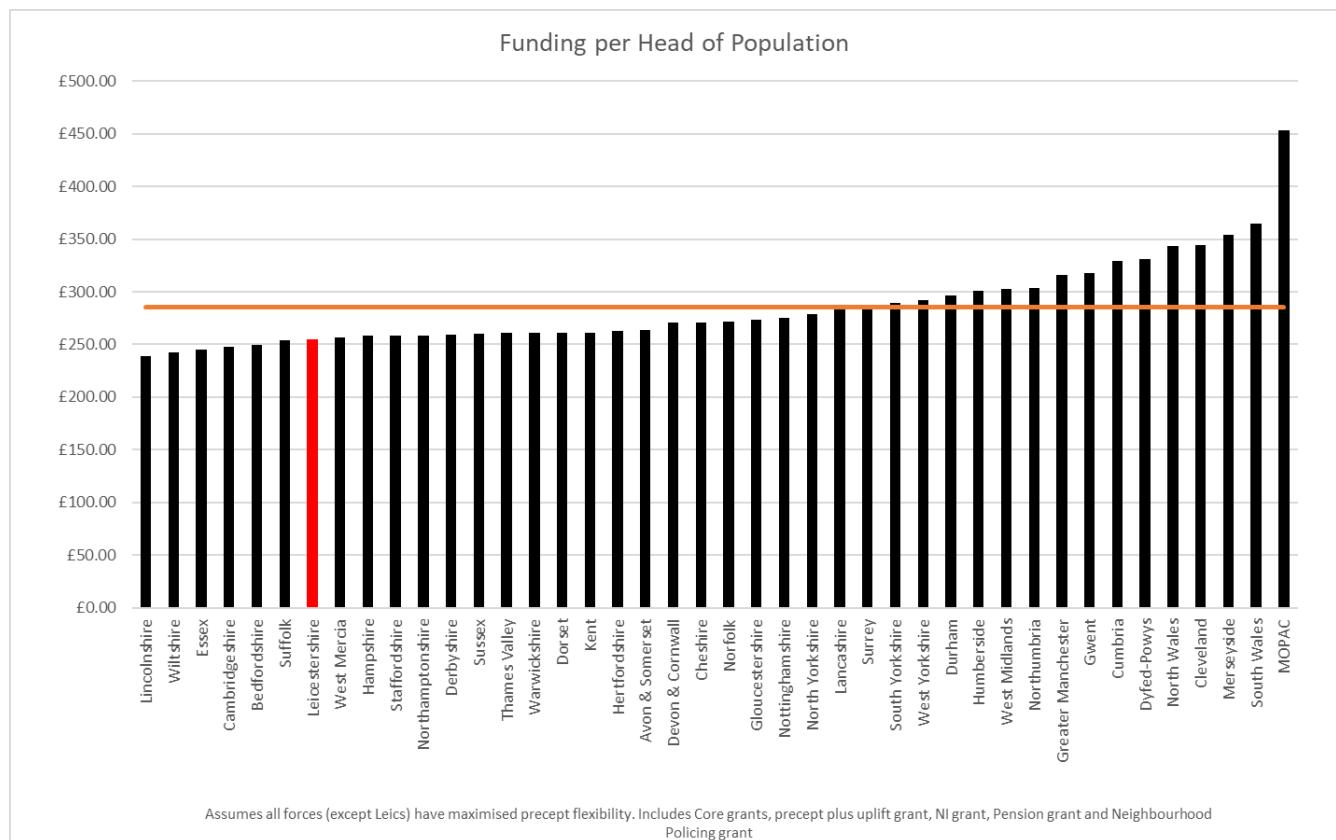


Chart Three - Funding per head of Population

- 2.6. Chart Three below shows the funding (core grants, Precept, Neighbourhood Policing grant, NI grant, Pension Grant and Uplift Maintenance Grant) per head of population for all forces in the UK. This shows that LLR receive approximately £254 per head of population which is lower than the national average. Leicestershire Police funding per head of the population is the 7th lowest in the country.



3. Grant Settlement 2026-27

- 3.1. On the 17th December 2025 the Government released the provisional local government financial settlement, which set out its intentions for local government finance settlement. The policy statement states:
 - A £15 referendum principle on Band D bills for Police and Crime Commissioners.
- 3.2. The Provisional Police Grant Settlement was announced on 18th December 2025. The Home Office are obtaining feedback from stakeholders on the contents of the provisional settlement, and the final settlement is expected in January 2026.
- 3.3. The provisional settlement confirmed an increase in government grant of £7m to £174.8m. The provisional settlement did not provide a breakdown of the increase therefore it is assumed that this includes continuation of the uplift maintenance grant, the pensions grant, the national insurance grant, council tax legacy grants and year one of the Neighbourhood policing grant. The precept referendum threshold has been confirmed at £15 for a Band D property.
- 3.4. The Home Secretary and Policing Minister wrote to the Police and Crime Commissioner and Chief Constable on the 16th January 2026 updating the details within the provisional police settlement. The letter stated that an additional £50m has been made available to forces to support the government's neighbourhood policing objectives. For Leicestershire this is an additional £752k however details of the grant conditions are still unknown and therefore have not been reflected within budget envelope.
- 3.5. The letter from the Home Secretary also stated that the headcount target has been moved for the Officer Maintenance Grant and therefore no conditions attached to this element of funding.
- 3.6. It is anticipated that further information will become available in late January 2026 as part of the final settlement including details for year 2 of the Neighbourhood Policing grant, the Violence Reduction Network grant and the Hotspot Policing grant.
- 3.7. Based on the information we have received from Central Government the increased Core funding quoted for Leicestershire is £7m (this does not include the £752k Neighbourhood Grant uplift). We have assumed that the increase relates to the Home Office Police Grant and all other grants remain at flat cash. The overall increase in funding is broken down as follows:

Funding	2025-26	2026-27	Difference
	£000	£000	£000
Home Office Police Grant	89,947	96,949	7,002
Ex-MHCLG Grant	50,521	50,521	0
Council Tax Support Grant	7,020	7,020	0
Council Tax Freeze Grant	1,911	1,911	0
Home Office Pension Grant	6,174	6,174	0
NI Grant	3,889	3,889	0
Home Office Uplift Grant	5,362	5,362	0
Neighbourhood Policing Grant	2,974	2,974	0
Total Core Government Funding	167,798	174,800	7,002
%age Increase			4.17%

- 3.8. The Government announced as part of the settlement that an additional £6.2m is available to Leicestershire through precept. This results in a total available funding increase of £13.2m or 4.9%. This is only delivered if the Policing element of the Band D Council Tax bill increases by £15.00 (5%).
- 3.9. There are other cost pressures which will need to be funded relating to staff pay, inflationary increases and other contractual increases.
4. Base Budget Preparation, Approach, and Scrutiny
- 4.1. In 2008-09 the Force introduced a risk-based approach to budget setting which sought to align the budget process with identified strategic operational priorities and risks.
- 4.2. The Force/OPCC continues to consider key corporate risks when setting the budget. Essentially these risks are operational and organisational around managing people, infrastructure assets, information and so on. The Force and OPCC has maintained and kept up to date its Corporate Risk Registers that sets out how it intends to control and mitigate these risks. The Corporate Risk Registers are regularly reported to the Joint Arrangements Risk and Assurance Panel which is a public meeting.
- 4.3. The Force continues to identify its Strategic Operational Risks as part of the National Intelligence Model (NIM). This has been used to inform resourcing strategies at both Directorate and Departmental level.
- 4.4. Each year, the Force undertakes a major exercise to review its operational risks which are set out within the "Force Strategic Policing Assessment". This was also informed by the work of regional collaborations.
- 4.5. The purpose of the Force Strategic Assessment is to identify those areas of greatest risk. Essentially, a high-risk area is where only limited resources have been allocated to address a substantial risk, thereby creating a significant risk gap.
- 4.6. The revised four-year financial forecast and, in particular, the 2026-27 budget contained within this report aligns the Force and Commissioner's financial resources to risk and therefore, is fundamental to the Force's performance management regime.
- 4.7. The OPCC Chief Finance Officer (CFO) has worked closely with the Force finance team throughout the year during the budget monitoring process and in the preparation of the budget for 2026-27. In respect of the budget, this has included (but was not

limited to), the identification and agreement of assumptions and methodology and challenge and scrutiny of the budget workings. In addition, where the CFO has sought clarification, or changes, these have been discussed and amendments made where appropriate.

- 4.8. The Commissioner set a new process to setting the budget. A new governance board was set up during 2025-26 which focuses specifically on financial matters. The Financial Scrutiny and Oversight Board (FSOB) consists of a panel made up of the PCC and the Deputy PCC. Chief Officers of the Force and the OPCC Senior Leadership team attend the meeting monthly. The new process will ensure greater transparency and accountability in the budget-setting process and monitoring process.
- 4.9. The Commissioner, together with his Senior Management Team have held regular discussions with the Chief Constable and his Chief Officers throughout the year, particularly prior to and throughout the budget preparation process and the announcement and interpretation of the Settlement.
- 4.10. This has resulted in a number of discussions of the budget requirement, the national and local operational and financial challenges, the precept options available and a review of the MTFP and associated risks.

5. Precept Proposal

- 5.1. The Localism Act 2011 requires authorities, including Police and Crime Commissioners, to determine whether their “relevant basic amount of council tax” for a year is excessive, as such increases will trigger a council tax referendum.
- 5.2. From 2012-13, the Secretary of State is required to set principles annually, determining what increase is deemed excessive. The Home Office has confirmed that in order to maximise council tax income for 2026-27, Police and Crime Commissioners can increase their precept on a Band D property by up to £15.00 without triggering a referendum.
- 5.3. The Commissioner’s proposed precept increase for 2026-27 is £11.00 per annum (3.66%) for police purposes to £311.2302 for a Band D property. This generates an extra £5.5m in revenue funding based on a Band D tax base of 355,246 and an estimated Collection Fund surplus of £0.080m.
- 5.4. Leicester City Council, Rutland County Council and the Borough and District Councils are responsible for estimating the tax base in their area, and the Council Tax Collection Fund surplus or deficit.
- 5.5. The total tax base is used to calculate the total precept that will be collected by billing authorities on behalf of the Commissioner.
- 5.6. In 2025-26 the tax base used in setting the budget for the Commissioner was 349,954 Band D equivalent properties. For 2026-27 this has increased to 355,246 Band D equivalent properties.
- 5.7. The collection fund surplus for 2026-27 is currently estimated at £0.08m. This is currently an estimate as awaiting confirmation from billing authorities which is expected late January/early February 2026.

- 5.8. The table below illustrates the impact of changes to the policing element of the precept on the funding for Leicestershire:

Sensitivity Analysis	£10 Increase	£11 Increase	£14 Increase
Band D Precept Scenario	£310,2302	£311,2302	£314,2302
Band D Precept 2025/26	£300,2302	£300,2302	£300,2302
Increase on Prior Year	£10.00	£11.00	£14.00
Increase on Prior Year (%)	3.33%	3.66%	4.66%
Taxbase	355,246	355,246	355,246
Precept Levied	110,208,078	110,563,324	111,629,062
Precept not levied (based on £15)	-£1,776,231	-£1,420,985	-£355,246
Amount foregone:			
Over 2 Years	-3,552,461	-2,841,969	-710,492
Over 5 Years	-8,881,153	-7,104,923	-1,776,231
Over 10 Years	-17,762,307	-14,209,845	-3,552,461

- 5.9. For each £1 of precept not maximised Leicestershire Police lose £355k of potential funding. Based on a precept increase of £11 this does mean £1.4m is foregone in 2026/27 and every year after. Over the MTFP the compounding effect is £7m of funding is foregone. The Commissioner was presented with these options to support his decision making and has weighed this up against the impact for local taxpayers.

6. Revenue Budget 2026-27

- 6.1. The base budget for 2026-27 has been built based upon the 'budget rules' which are consistent with previous years and the risk-based approach outlined earlier in the report.
- 6.2. The OPCC and the Force presented to the Commissioner the budget requirement for both the OPCC and the Force. The total net budget requirement for 2026-27 was £270.6m, resulting in a budget deficit of £3.5m. Difficult decisions have had to be made in order to balance the budget (further information available in the efficiency savings section of the report).
- 6.3. With identified savings taken into account the Panel is advised that the total net revenue budget in 2026-27 is £267.044m, with a £1.2m efficiency savings target. This equates to an increase of £12.5m (4.9%) from the 2026-27 net revenue budget level of £254.546m.

2026/27	
	£m
Net Budget Requirement	270.6
Additional Investments	1.1
Savings identified	-3.5
Revised Budget requirement	268.2
Efficiency Savings Target	-1.2
Total Net Revenue Budget	267.0

- 6.4. The following table breaks down the costs by service delivery and includes the staffing levels for each division:

Heading	Police Officer FTE	Staff FTE	PCSO FTE	Net Budget Requirement	
				(NBR) £000	%age of NBR
Prevention & Partnerships	63.0	36.4	0.0	8,628	3.2%
Public Contact	98.0	279.6	0.0	22,857	8.5%
Policing in Neighbourhoods	1383.0	83.8	150.0	107,532	40.1%
Investigation & Vulnerable People	423.0	203.5	11.0	43,877	16.4%
Detaining and Prosecuting Offenders	45.0	153.6	0.0	11,994	4.5%
Enabling Services	119.0	468.2	0.0	49,363	18.4%
Victims and Witnesses	0.0	2.82	0.0	108	0.0%
OPCC Functions	0.0	20.2	0.0	1,854	0.7%
Regional Collaborations	53.0	0	0.0	15,534	5.8%
Centrally Held Functions	58.0	24.3	0.0	6,510	2.4%
Total	2242.0	1272.42	161.0	268,257	100%

Prevention & Partnerships

- 6.5. The PCC has set an ambition in his Police and Crime Plan to take a holistic approach to Prevention. As such the OPCC and the Force have worked together to build a proposal that sees a more joined up approach to prevention and the setting of a prevention strategy 2024-2028. This is to maximise the impact on preventing and reducing crime, harm and demand coming into the Force through pursuing an integrated approach to the planning, commissioning and delivery of prevention activity across the OPCC and the Force and in collaboration with communities and partners. The prevention and partnership budget includes funds for an integrated prevention and partnership hub, diversion and youth justice, crime prevention and community safety and offender management.

Public Contact

- 6.6. The Public Contact offer is efficient and effective public contact through a range of customer centric services that optimises technology and innovation along with the right skills and empathy to deliver resolutions and customer satisfaction. The Public Contact heading includes the budget for the Contact Management Centre.

Policing in Neighbourhoods

- 6.7. Policing in Neighbourhoods delivers local policing in an effective and efficient way, building connected leadership with teams, partners and communities. The budget for Policing in Neighbourhoods includes the budget for Local Policing, Operations and Volunteers. The Government announced that it intends to increase neighbourhood policing officers and PCSOs by up 13,000. The government confirmed a £5.44m grant for Neighbourhood policing for 2026/27. Leicestershire's share of the growth into Neighbourhood policing is 26 however it is not known whether this will be through redeployment or additional officers/PCSOs.

Investigation and Vulnerable People

- 6.8. The Investigation and Vulnerable People layer provides locally based Professionalising Investigation Programme (PIP) 1 & 2 criminal investigation teams working collaboratively and proactively within Neighbourhood Policing Areas to support local

investigations and lead serious, specialist and high risk investigations. This area contains a number of different departments including Crime and Intelligence, Force Intelligence Bureau, Serious Crime teams, Digital Hub, Forensics and Major Crime.

Detaining and Prosecuting Offenders

- 6.9. The Detaining and Prosecuting Offenders (Criminal Justice) aims to maximise the use of technology to increase efficiencies and enhance voluntary attendance and support frontline policing to ensure quality file submissions and reduce submission failure rates.

Enabling Services

- 6.10. Enabling Services are designed to meet the needs of policing, providing the right people and right skills and keeping the workforce fit and well. It is to provide a flexible suitable estate, equipment and fleet that supports policing and digital technology that enables officers to be efficient and effective in any location. Enabling Services is split between support services, people services and corporate services. Enabling Services includes estates, transport, IT, HR, Team Leicestershire Academy, change team, professional standards and many other departments.

Victims and Witnesses

- 6.11. Victim and Witness Services are delivered and commissioned through the OPCC. This heading includes costs for Victim First, the Victim Liaison Unit, the Adult and the Children and Young Persons Sexual Abuse Referral Centre, the Domestic Abuse Helpline, Sexual Violence and Abuse Services and Project 360. This also includes funding for a number of independent Domestic Violence Advisors (IDVAs) and Independent Sexual Violence Advisors (ISVAs). The budget is based on staffing costs for 2.8FTE. Included in the Victims and Witnesses heading is grant income from the Ministry of Justice which offsets a large proportion of the expenditure.

OPCC Governance, Accountability and Statutory functions

- 6.12. The PCC and OPCC has a number of responsibilities around governance, accountability and statutory functions. This budget heading captures the cost required for the OPCC to undertake these responsibilities and have been broken down into the following sub-headings:

- Democratic and Business Support Services
- Scrutiny
- Efficiency and Effectiveness
- Communications and Engagement

Further breakdown is available in the OPCC section later in the report.

Regional Collaboration

- 6.13. The Force is part of six Regional Collaborations. The Target Operating model and budget requirement have been reviewed. Regional collaboration budgets relate only to Leicestershire Police's share and include the cost of 53 police officer posts. The budget for regional collaboration in 2026-27 is £15.5m.

Centrally Held Functions

- 6.14. Central held functions include a number of costs and income streams which do not sit within the other headings. This includes Non-Mainstream funding such as counter-terrorism and policing of the Airport. This also includes projects and initiatives such as ESN, Accreditation costs, Taser and Single online Home. Also included in Central held items is the Police uplift grant and the Pension grant.

7. Investments

7.1. Having considered operational and organisational needs, along with the continued delivery of the Police and Crime Plan, below are areas which will require continued or additional investment during 2026/2027.

- Victim Journey Strategic Platform to deliver modern, scalable digital engagement to improve victim experience, reduce failure demand, and enable future innovation across Leicestershire Police.
- Migration of the Origin Resource Management (RM) platform from on-premises to NEC-hosted Oracle Cloud Infrastructure
- Integral additional resource to support the Diversion hub and implementation of an external end-to-end digital solution (Make Time Count).
- Transition to new extraction tool for extracting Origin RM data, supporting HR, duties, finance, training, and health and safety reporting.
- Expansion of the Force's use of AI and robotics to support transformation, efficiency, and effectiveness in regard our services and to manage demand and support address complexity.

8. Risks

8.1. There are number of financial risks within the draft budget requirement, as summarised below:

- Pay inflation – is included for 2026/27 at 3%. It is not yet known what the cost of the award will be until September 2026 or if any pay award increase above 3% would be met by Central Government.
- Emergency Services Network (ESN) – The Emergency Services Mobile Communications Programme (ESMCP) have announced a further delay of at least 6 years. The earliest transition date for the Force is now 2030. The continuing airwave costs have been included in the IT budget.
- Digital transformation and Cloud migration – the Force has developed a digital transformation strategy, part of which includes the move from on premise data storage to Cloud storage which will enhance operational analytical capability. The risks and costs associated with this are factored into the funding envelope but are likely to change through time as the migration evolves.
- Neighbourhood Policing additional 13,000 personnel nationally – the Government has announced it intends to increase neighbourhood policing officers and PCSOs by up to 13,000 funded through shared services and procurement savings. The Settlement confirmed a £5.4m grant for 2026/27. No further details are available.
- Contractual increases – A number of large contracts are coming up for renewal during 2026/27. A provision has been included within the budget to allow for inflationary increases however due to volatility within the markets these could be higher than anticipated.

- College of Policing – the college of policing have reported budgetary pressures and budget reductions going forward. The college have confirmed that costs to forces would be increasing in order to support their sustainability but the impact of this is not yet known.

9. Capital Strategy, Capital Programme and Treasury Management Strategy

- 9.1. The Capital Strategy 2026-27 is set out in Appendix 3. The revenue consequences of the proposed programme have been considered in the development of the revenue budget, and the required prudential indicators are set out.
- 9.2. The Capital Programme includes investment in operational areas of premises, IT and vehicle fleet.
- 9.3. A summary of the proposed Capital Programme for 2026/27 is shown in the table below:

<i>Proposed Capital Programme 2026/27</i>			
Expenditure	£000	Funding	£000
Property	3,980	Borrowing Requirement	8,871
Information Technology	3,426	Revenue Contributions	100
Vehicle Fleet	1,080	Government Grant	-
Operational Equipment	975	3 rd Party Contributions	750
Corporate Projects	260		
 Total	 9,721	 Total	 9,721

- 9.4. The Treasury Management Strategy report is set out at Appendix 4. This is required by the Code of Treasury Management published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and explains the Investment Strategy in relation to reserves and balances.
10. Medium Term Financial Plan (MTFP)

 - 10.1. Prudent financial management requires the Commissioner to have an MTFP that covers a period of at least four financial years. This provides a longer-term view which will enable informed decision making to take place over the period of the plan. This is not without its challenges, given that there is only a firm Government announcement of funding for 2026-27.
 - 10.2. 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.
 - 10.3. The CSR showed 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.

- 10.4. 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 may intensify as pay and inflationary costs continue to rise and absorb a greater share of force budgets.
- 10.5. 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.
- 10.6. 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.
- 10.7. Until further information becomes available an MTFP has to be formulated using the best information available at the time of producing it. The attached 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.
- 10.8. Key assumptions that have been included in seeking to outline the financial challenge for the medium term are:
 - That the council tax base grows at 1.5% for financial years 2027-28, 2028-29 and 2029-30 respectively.
 - The Spending Review (SR) indicated an increase in funding for Police Forces (inc. precept) of 3.6% for 2027/28, and 2.5% for 2028/27. A 2.5% has been assumed for 2029/30.
 - The precept is based on a £11.00 increase per Band D equivalent property for 2026-27. The precept assumption for 2027/28 is included within an overall funding increase set out in the bullet point above. It should be noted that no decision on future years precept has yet been taken.
 - All existing council tax related grants continue up to and including 2029-30.
 - Pay awards for officers and staff are included at 3% for 2026-27, and 2.5% each year thereafter. The national view is that pay increases should be modelled at 2.5%.
 - Non-pay inflation is included at 2% for certain goods and services for 2026-27 and 1.9% for each year thereafter. Utility and vehicle fuel inflation is included at significantly higher rates in line with market forecasts. IT contractual inflation is included at actual rates averaging 10%.
 - Further borrowing beyond the capital programme is not required.
- 10.9. Taking into account the above assumptions, the position is as follows:

Summary of the Budget Requirements	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m
Budget Requirement	270.6	286.3	295.7	307.1
Net Funding	267.0	276.7	283.6	290.7
Funding Gap / (Surplus)	3.6	9.6	12.1	16.4
Reductions:				
Investments	1.1			
Savings Identified (see below)	(3.5)			
Efficiency Savings Target	(1.2)			
Revised Funding Gap / (Surplus)	0	9.6	12.1	16.4

11. Efficiency Savings

- 11.1. Over £23 million-worth of savings have been taken out of Leicestershire Police over the last 3 years, with a further £3.6m required to close the deficit for 2026/27.
- 11.2. Despite these efforts and as a result of unfunded pay awards, inflationary increases and changes within legislation, Leicestershire Police find themselves with a £3.6m budget deficit for 2026-27.
- 11.3. The following areas have been identified as savings to reduce the £3.6m deficit:

Budget Deficit	3,559,258
2026/27 Investments	1,125,166
Total Funding Gap	4,684,424
<u>Closing the Gap</u>	£
Establishment Review	
Reverse Modernisation of Police Staff Role	-139,664
Reduction in 1 Superintendent post	-69,160
Reduction in transferees	-453,574
Reduction of 17 police staff roles	-807,347
Reduction in Debt Charges due to a Revenue Contribution to Capital for 2025/26	
	-553,000
Non-Pay	
Reduction in telephony charges	-150,000
Funded from Reserves:	
Equipment Reserve	
Motorcycle Uniform / PPE	-38,000
Budget Equalisation Reserve	
Op Olympos (Post Office Investigation)	-123,000
Contribution to Prevention Activity	-300,000
Fund Custody CCTV contract for 1 year whilst system is replaced	-108,012
Funding of one-off investments in 26/27	-729,750
Residual funding gap	1,212,917

12. Use of Reserves and Balances

12.1. In considering the 2026-27 budget, the Commissioner has reviewed all of the reserves held.

12.2. In January 2026 a Reserves Strategy was agreed which set out the following ‘guiding principles’ for managing reserves:

- As per the Home Office guiding principles the General fund reserves should be in the range of 2% to 5% of the total net revenue budget (between £5.34m and £13.35m based on the 2026-27 net revenue budget).
- The BER can be used to support the budget but there must be a strategy to move reliance away from the reserve over a period of time.
- Other earmarked reserves should only be used for specific time limited projects, to provide financial cover for potential future financial liabilities and for ‘invest to save’ projects.
- Ongoing reliance should not be placed on reserves to deal with the funding of financial deficits, and a clear plan should be in place to move reliance away from one off reserves.
- There should be an annual review of reserves.

12.3. Three types of reserve are held and these are explained further below:

General Reserve

12.4. The General reserve can be described as ‘the contingency of last resort’. It is the level of cash balances that have not been earmarked for any specific purpose and is held to deal with any unplanned emergency or exceptional item of expenditure for which there is no other funding available.

12.5. The level of general fund reserves held should not be excessive but should be held at a level in order for there to be sufficient funds available to deal with any urgent costs of emergency expenditure that arises. The respective Chief Financial Officer of the Police and Crime Commissioner applies their professional judgement to recommend a level of general fund balances to hold.

12.6. The current General Reserve balance of £5.86m represents 2.3% of the Net Revenue Budget for 2025/26, falling to 2.2% of the Net Revenue Budget for 2026/27.

12.7. In determining the appropriate level of General Reserve, the OPCC applies a risk-based methodology, rather than relying solely on a percentage of the Net Revenue Expenditure. This approach reflects good practice set out in the CIPFA financial Management Code and Home Office guidance.

12.8. Based on the current financial profile, including a Net Revenue Expenditure of £267.0m and a savings requirement of £1.2m, the Chief Finance Officer has assessed the aggregate residual in-year financial exposure to be in the region of £6.2m.

12.9. The Commissioner has agreed the transfer of £340k from the Budget Equalisation reserve to the General Reserve.

Budget Equalisation Reserve (BER)

12.10. Over recent years, due to the impact of effective efficiency programmes and through financial prudence, a Budget Equalisation Reserve (BER) has been created. This reserve is currently estimated to be £8.4m at 31st March 2026, decreasing to £5m by 31st March 2030. Its purpose when established was twofold:

- To fund 'invest to save' and other new initiatives and investments.
- To recognise that some savings would take time to implement and to smooth the impact of these changes.

12.11. In July 2022 it was agreed that £7.5m of the BER will be used during the MTFP period to fund ongoing historical investigations of £0.3m, Job Evaluation Pay protection costs of £0.2m and Business Transformation costs. The Business Transformation costs included £5m for Cloud Migration and £2m for Peripatetic Investigators.

12.12. It is forecast that £2m will be used in 2025/26 and the remaining £1.7m will be drawn down during 2026/27.

12.13. For 2026/27 the Commissioner has agreed to use £1.2m of the BER for the following:

- 2026/27 Investments - £0.7m
- Prevention Hub - £0.3m
- Custody CCTV Contract - £0.1m
- Contribution to Op Olympus - £0.1m

Earmarked Reserves

12.14. The Commissioner currently holds a number of Earmarked Reserves which at 31 March 2026 are estimated to total £11m (excluding the General Reserve and BER) and those to note are as follows:

12.15. OPCC & Commissioning Reserve £1.87m – This contributes towards supporting the cost of the Commissioning Framework. The Commissioner has agreed to use £70k for Surveying software and £58k for invest to save initiatives.

12.16. Civil Claims £1.7m – This reserve holds funds set aside, where considered prudent, for Civil Claims (Public and Employer liability) in line with professional advice. It is proposed that this reserve is increased by £130k for 2026-27 to ensure that there is sufficient level of reserve to mitigate the risk of civil claims. This will result in a balance of £1.83m.

12.17. Proceeds of Economic Crime - £1.57m – reserve funded from proceeds of crime, used to support the Force's capability in specific investigative areas. It is proposed that £0.38m is used during 2026-27 to support the work of the Economic Crime Unit. This will result in a balance of £1.19m at the 31 March 2027.

12.18. Carry Forwards - £1.86m - This reserve includes those sums that the OPCC has approved to carry forward to finance specific expenditure in 2025-26 and beyond. It is estimated that £1.18m of carry forward will be drawn down in 2026-27.

12.19. Team Leicestershire Academy - £0.1m – this reserve was created from funds bequeathed to the Force and is to fund Team Leicestershire Academy. It is proposed that £0.09m is used in 2026-27 to fund 5 posts, reducing the balance to £0.01m.

12.20. Equipment Reserve - £0.90m - Funds held for the periodic replacement of personal equipment such as body worn video, taser equipment and personal protective equipment. The Commissioner has agreed to use £38k of this reserve in 2026/27 to fund motorcycle uniform and PPE.

12.21. There are a number of other small reserves which are not listed above.

12.22. The following transfers to and from reserves form part of these budget proposals:

<u>Transfers from Reserves</u>		<u>Transfers to Reserves</u>	
	£m		£m
<u>Budget Equalisation Reserve</u>		<u>Specific Reserves</u>	
2025/26 Ongoing Investments	-1.706	Fleet Insurance Claims	0.158
2026/27 One off Investments	-1.137	Civil Claims Liability	0.130
Funding 2026/27 Base Budget	<u>-2.843</u>		
<u>Other Earmarked Reserves</u>			
Economic Crime (POCA)	-0.384		
Team Leicestershire Academy (Legacy)	-0.085		
Carry Forward Reserve	-1.301		
Op Equipment Reserve	-0.038		
MAPPA	-0.006		
RSU	<u>-0.021</u>		
	<u>-1.835</u>		
<u>OPCC Reserves</u>			
Office of the OPCC	<u>-0.131</u>		
	<u>-4.809</u>		
			<u>0.288</u>
		<u>Net Transfers to/(from) Earmarked Reserves</u>	
		<u>£m</u>	
		<u>-4.521</u>	

Crime Prevention Fund

12.23. It is the intention of the Commissioner to create a Crime Prevention fund to use on activities to support the delivery of the Police and Crime Plan for the remainder of the Commissioner's term in office. The Commissioner intends to transfer £1.2m from the Commissioning reserve and £2.5m from the Budget Equalisation reserve to the Crime Prevention fund to commission crime prevention activity.

13. Office of the Police and Crime Commissioner

- 13.1. The Commissioner requested that for preparation of the 2026/27 budget a bottom-up process was followed. Like last year the budget would be built on an evidence-based approach and every line of the budget scrutinised rather than a fixed percentage of the Net Budget Requirement. The Chief Executive presented her budget proposal to
- 13.2. A Workforce Planning Review was carried out at the beginning of 2024/25 to ensure that the OPCC was structured to be able to discharge the legislative requirements of a PCC plus the key policy areas that the Commissioner required at that time. This has been reviewed in line with the new Police and Crime Plan to ensure that the right support is in place for 25/26 and beyond.

13.3. The OPCC budget has been split into 6 areas:

- Democratic and Business Services
 - Efficient and Effective
 - Engagement
 - Scrutiny
 - Prevention
 - Victims and Witnesses

13.4. The total budget for the Office of the Police and Crime Commissioner is £5.1m and is made up of:

	£000
Democratic and Business Services	633
Efficiency and Effectiveness	455
Engagement	423
Scrutiny	472
Prevention	4,160
Victims and Witnesses	<u>2,485</u>
	8,628
Ministry of Justice Grant	(2,377)
Home Office VRN Grant	(1,047)
Transfer from Reserves	<u>(131)</u>
Total OPCC budget	5,073

13.5. Overall, the budget for the OPCC budget has decreased by £162k from 2025/26.

13.6. The FTE of the OPCC has increased to 38.1FTE, an increase of 7.4FTE due to the VRN staff not previously been included within the establishment figures. The VRN posts are covered by the VRN grant from the Home Office.

13.7. It is agreed that £131k is transferred from the OPCC to fund the Senior Value for Money Analyst which was not recruited into last financial year. The Commissioner has agreed to the use of the OPCC reserve to trial a new surveying software.

13.8. The OPCC and the Force have worked together to build a proposal that sees a more joined up approach to prevention and the setting of a prevention strategy 2024-2028. The total budget for prevention and partnership is £8.6m of which the OPCC will be contributing £3.1m of the Commissioning budget towards preventing and reducing crime, harm and demand through pursuing an integrated approach to the planning, commissioning and delivery of prevention activity in collaboration with communities and partners.

13.9. The Commissioning Framework for 2026-27 aligns to the priorities contained within the Police and Crime Plan.

13.10. The Ministry of Justice (MoJ) Victims and Witnesses Grant has been confirmed at £1.250m for 2026-27, an increase of £25k from 2025-26. The MoJ have also confirmed an additional £1.127m to continue to commission the Domestic Abuse and Sexual Violence Support Services.

- 13.11. The funding for Violence Reduction Units has not yet been confirmed. It is anticipated that funding will be in line with funding received for 2025-26.

Robustness of the budget and adequacy of reserves – Statement of the Commissioner’s Chief Finance Officer

The Local Government Act 2003, Part 2, Section 25, as amended by the Police Reform and Social Responsibility Act 2011, requires the Commissioner’s Chief Finance Officer to report on the robustness of the estimates used for the budget and the adequacy of the proposed financial reserves. The Commissioner is required to have regard to the report of the Chief Finance Officer and the report must be given to the Police and Crime Panel. The CFO statement is as follows:

“As the Chief Finance Officer and statutory Section 151 officer, I am required to provide assurance on the robustness of the budget estimates and the adequacy of the proposed financial reserves in accordance with my professional responsibilities and relevant requirements.

Robustness of Estimates

In forming my view, I have considered:

- The detailed budget preparation process.
- The reasonableness of key assumptions, including pay awards, inflation, demand pressures and government funding.
- The achievability of planned savings and efficiency programmes.
- The strength of financial governance, monitoring and control arrangements.

The budget for the forthcoming year has been prepared through a structured and comprehensive process involving senior leadership and budget holders. Known cost pressures have been incorporated, including pay and price inflation, contractual uplifts, and operational demand assumptions based on the best information currently available.

However, the Medium-Term Financial Plan (MTFP) contains a number of inherent uncertainties and risks, including:

- Future government funding levels beyond the current settlement period
- The delivery of planned savings and transformation programmes
- Inflationary volatility and pay award uncertainty
- Unpredictable operational demands and major incident costs

While these risks are not unusual in financial planning of this nature, the decision to set the precept at a lower level than government allows and lower than originally forecast reduces financial flexibility across the planning period. As a result, the MTFP is more reliant on the successful delivery of savings and continued tight financial control.

Taking all of these factors into account, I am satisfied that the estimates used in setting the budget for the forthcoming year are sufficiently robust. The position in later years of the MTFP is more challenging and will require continued active management, regular review, and timely corrective action where required.

Adequacy of Reserves

In assessing the adequacy of reserves, I have considered:

- The overall risk environment reflected in the MTFP
- The level of general (unearmarked) reserves
- The purpose and planned use of earmarked reserves

- Potential exposure to financial shocks and unforeseen events

The level of general reserves is a key safeguard against unforeseen expenditure and volatility in funding or demand. In determining the appropriate level of General reserves, I have taken a risk-based approach, which reflects good practice set out in the CIPFA Financial Management Code. The assessment considers the residual financial risk after taking into account the mitigations, earmarked reserves, insurance arrangements and in year budget management. On this basis the General Reserve Balance will increase to £6.2m, an increase of £340k for 2026/27.

In my professional judgement, the proposed level of General Reserve is considered prudent for the organisation based on the risk profile. The adequacy of the General reserve will continue to be reviewed annually as part of the budget and medium-term financial planning, and throughout the year via budget monitoring. This is to ensure it remain proportionate to the financial risks and particularly given the increased financial uncertainty within the MTFP.

Earmarked reserves are held for specific, time-limited purposes, including supporting transformation, smoothing the impact of funding fluctuations, and managing known future fluctuations, and managing known future liabilities. Planned use of these reserves is appropriate and aligned to the financial strategy, but their use to support recurring expenditure cannot be sustained indefinitely.

Given the current financial outlook, it will be important to:

- Avoid further unplanned depletion of general reserves
- Ensure that any use of reserves is linked to clear plans
- Rebuild financial resilience where opportunities arise.

Overall Assurance

The Medium-Term Financial Plan identifies gaps in the later years of the planning period which will need to be addressed as the financial strategy develops. Work is underway to refine savings proposals, identify efficiencies and explore other options to close the gap, and this will continue to be a key focus to financial planning. As with all medium-term plans there are uncertainties around future funding levels, inflation and demand, and these will be kept under regular review. While this does present a degree of financial risk, arrangements are in place to monitor progress closely and take timely action as plans are firmed up.

Based on the information available at this time:

- I am satisfied that the budget for the forthcoming year is based on robust and reasonable estimates
- I consider the level of reserves to be adequate for the immediate term, but given the scale of financial risks over the MTFP period, will require close monitoring and careful managing.

I will continue to monitor the financial position closely and will provide further advice and assurance to the PCC should the risk profile or financial outlook change materially.

Views on the Commissioner's Precept Proposal - Chief Constable's Statement

See Appendix 2 – Operational Policing Context to Budget Allocation

----- **End of Report** -----

The Office of the Police and Crime Commissioner for Leicestershire
Budget Requirement and Precept 2026/27

Version Date

16/01/2026

Precept Increase		3.66%	3.53%	0.00%	0.00%
2025-26 Approved Budget £		2026/27 Revenue Budget £	2027/28 Revenue Budget £	2028/29 Revenue Budget £	2029/30 Revenue Budget £
148,173,072	Police Pay & Allowances	157,719,852	165,920,530	170,479,371	176,760,934
63,098,283	Staff Pay & Allowances	65,466,750	69,316,223	71,523,959	73,794,022
6,916,439	PCSO Pay & Allowances	7,438,733	7,910,907	8,200,925	8,498,848
218,187,794		230,625,335	243,147,660	250,204,254	259,053,804
11,400,888	Regional Collaboration	11,994,594	12,492,322	12,986,630	13,486,528
4,203,379	Police Pensions	4,518,224	4,703,375	4,893,155	5,087,679
52,303,090	Non-Pay Expenditure	53,263,742	55,724,745	57,957,333	58,672,405
3,716,028	Inflation Contingency	5,214,049	1,057,740	857,740	857,740
(19,863,352)	Income	(20,767,466)	(21,121,128)	(21,399,387)	(21,650,289)
51,760,033		54,223,143	52,857,053	55,295,471	56,454,064
269,947,826	Force Budget Requirement (excl. OPCC)	284,848,478	296,004,714	305,499,725	315,507,868
2,488,689	OPCC	3,684,861	3,756,804	3,826,208	3,885,572
4,129,914	Commissioning	4,943,360	4,943,360	4,943,360	4,943,360
(1,225,384)	Specific Grant - Victims and Witnesses	(3,424,317)	(3,424,317)	(3,424,317)	(3,424,317)
5,393,219		5,203,904	5,275,847	5,345,250	5,404,614
275,341,046	Gross Budget Requirement	290,052,382	301,280,560	310,844,975	320,912,482
(6,174,230)	Home Office Pension Grant	(6,174,230)	(6,174,230)	(6,174,230)	(6,174,230)
- Home Office - 25/26 Neighbourhood Grant - to fund add'l posts		(2,643,801)	(2,643,801)	(2,643,801)	(2,643,801)
- Neighbourhood Grant 25/26 - unallocated		(330,159)	(330,159)	(330,159)	(330,159)
Neighbourhood Grant for 26/27		(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
(5,362,488)	Home Office Uplift Grant	(5,362,488)	(5,362,488)	(5,362,488)	(5,362,488)
(3,888,857)	Home Office National Insurance Grant	(3,888,857)	(3,888,857)	(3,888,857)	(3,888,857)
0	Investment	1,125,166	547,434	399,493	401,593
	Investment - 26/27 Neighbourhood Grant	3,000,000	6,000,000	6,000,000	7,000,000
0	PCC Contribution towards Force Prevention Strategy	-	0	0	0
(1,170,625)	Efficiency Savings	(1,212,917)	(0)	(0)	(0)
(4,199,175)	Use of reserves for specific projects	(4,521,431)	(136,899)	(146,696)	151,898
- General transfer (from)/to reserves		-	-	-	-
254,545,670	Net Budget Requirement	267,043,665	286,291,561	295,698,237	307,066,439
- Surplus / (Funding Gap)		-	(9,634,324)	(12,124,570)	(16,403,429)
- Transfers into Reserves					
254,545,670	Net Revenue Budget	267,043,665	276,657,237	283,573,668	290,663,010
89,947,004	Funding				
50,520,968	Police Grant	96,948,576			
7,020,391	Business Rates	50,520,968			
1,910,530	Council Tax Support Grant	7,020,391			
79,876	Council Tax Freeze Grant	1,910,530			
105,066,901	Collection Fund Surplus / (Deficit)	79,876			
254,545,670	Precept	110,563,324			
349,954	Council Tax Base	355,246	360,575	365,983	371,473

Precept by Billing Authority		Tax Bases (tbc)	£	£	£	£
10,403,600	Blaby	34,926.50	10,870,182	-	-	-
18,085,976	Charnwood	61,320.20	19,084,698	-	-	-
11,874,946	Harborough	40,169.60	12,501,993	-	-	-
12,041,775	Hinckley & Bosworth	40,554.50	12,621,785	-	-	-
24,792,330	Leicester City	83,867.00	26,101,943	-	-	-
6,138,762	Melton	21,068.68	6,557,209	-	-	-
11,261,521	North West Leicestershire	37,927.00	11,804,028	-	-	-
5,579,209	Oadby & Wigston	19,004.95	5,914,914	-	-	-
4,888,782	Rutland	16,407.70	5,106,572	-	-	-
105,066,901		355,246.13	110,563,324	-	-	-
349,954			355,246	360,575	365,983	371,473

Precept by Band		Apportionment	£	£	£	£
200.0341	Band A	6/9	207,4868	214,8201	222,1535	229,4868
233.3732	Band B	7/9	242,0679	250,6235	259,1790	267,7346
266.7122	Band C	8/9	276,6491	286,4268	296,2046	305,9824
300.0512	Band D	9/9	311,2302	322,2302	333,2302	344,2302
366.7292	Band E	11/9	380,3925	393,8369	407,2814	420,7258
433.4073	Band F	13/9	449,5547	465,4436	481,3325	497,2214
500.0853	Band G	15/9	518,7170	537,0503	555,3837	573,7170
600.1024	Band H	18/9	622,4604	644,4604	666,4604	688,4604

£300.2302	Band D Council Tax	£311.2302	£322.2302	£333.2302	£344.2302
4.89%	% Increase	3.66%	3.53%	3.41%	3.30%
14.00	£ Increase	11.00	11.00	11.00	11.00
26.9p	Increase per week in Pence	21.2p	21.2p	21.2p	21.2p

Summary of Assumptions

Changes in Core Grant	4.2%		
Changes in Spending Review Funding Envelope Increase (Grant / Precept)	3.6%	2.5%	2.5%
Precept increases	3.7%		
Precept increases £	£ 11.00		
Tax Base increases	1.50%	1.50%	1.50%
Pay Inflation	3.00%	2.50%	2.50%
Non-Pay Inflation	2.00%	1.90%	1.90%
Police Officer FTE	2242	2242	2242
PCSO FTE	161	161	161
Staff FTE (Force and OPCC Combined)	1273	1273	1273

POLICE AND CRIME PANEL

PAPER MARKED

Report of	Chief Constable
Subject	Operational Policing Context to Budget Allocation
Date	23/01/26
Author	Chief Constable

1. Purpose of report

1.1 The purpose of this report is to provide operational policing advice and feedback on the finalised proposed budget allocation for Leicestershire Police made by the Police and Crime Commissioner on Tuesday 20th January 2026, in accordance with the statutory responsibilities of the Chief Constable.

1.2 This report is structured as follows:

- At the outset, the report provides an executive summary and recommendations on the finalised budget allocation to Leicestershire Police and the proposed 21p per week / £11 per year Band D precept increase for 2026/27.
- The report then sets out the impact of the precept decision, the operational context, and implications.
- The report concludes with the Chief Constable professional policing advice to the Police and Crime Commissioner to recommend a 29p per week / £15 per year precept increase for 2026/27.

2. **Executive Summary**

- 2.1 Leicestershire Police has the highest levels achievable in internal and external audit assurance for its financial management. The force utilises “zero based” budgeting, where the required budget is built based on the actual costs of workforce and supporting assets such as police stations, vehicle fleet, information technology and other commodities.
- 2.2 The cost of Leicestershire Police to retain the same service level and same number of Police Officers, Staff and PCSO in 2026/27 does cost more than it was in 2025/26 and it will again cost more in 2027/28. This increases year on

year due to several factors, including general inflation, technology inflation, imposed pay awards, incremental pay scale rises, increased national insurance costs and rate changes etc.

- 2.3 After numerous years of underfunding the provisional government settlement unexpectedly included £1.4 million additional funding than expected. Whilst the actual amount of grant funding provided to the force in 2026/27 increases from 2025/26. It does not cover the increased costs of the force and creates a deficit to be overcome in 2026/27.
- 2.4 Through the four-year period of the Medium-Term Financial Plan (MTFP) based on current information the financial deficit grows significantly larger, from £9.6 million in 2027/28 to £16.4 million in 2029/30, based on current national funding projections.
- 2.5 Following £23 million of budget deficits over the last three years, the budget requirement for the force in 2026/27 to retain the current level of public service, resources and required areas of investment is £288.4 million.
- 2.6 The Police and Crime Commissioner has allocated a £283.7m budget to the force creating a further £4.7 million deficit for 2026/27.
- 2.7 Prior to the finalised budget, the initial budget allocated by the Police and Crime Commissioner to Leicestershire Police had created a far larger deficit. This has been addressed with several positive decisions being made by the Police and Crime Commissioner in response to the concerns and operational advice provided by the Chief Constable.
- 2.8 As a result of good strategic planning by the force, arrangements are already in place to close £3.5 million of the predicted £4.7 million deficit by the 31st of March 2026. This will include a further £1 million reduction in police staff and £0.5 million in police officer costs.
- 2.9 A Band D precept increase of £14 or more would close the outstanding £1.2 million budget deficit in 2026/27 and support mitigate further reductions in police resources and help with future deficits.
- 2.10 The Police and Crime Commissioner has outlined they are now setting an £11 precept. This is contrary to both the operational advice provided by the Chief Constable, and to the financial advice of the force S151 Officer.

- The decision is contrary to the public precept consultation outcome:
69% supported an increase above 21p a week / £11 per year.
56% supported an increase of 27p a week / £14 per year or above.
38%, the highest single supported option, supported a 29p a week / £15 per year increase.
- It changes the jointly agreed budget assumption set from February 2025 to 22nd December 2025 from £14, undermining good financial strategic planning and creating a budget deficit.
- It is in contradiction to the stated aims contained in the Police and Crime Plan.
- It does not consider sufficiently the £23 million of cuts delivered in the last three years.
- It exacerbates the underfunding of Leicestershire Police which is one of the lowest funded police forces already in the country, as recognised in the Police and Crime Plan and national funding data.
- It is believed Leicestershire will be a significant outlier for not going for a 29p a week / £15 a year precept. It is expected that Police and Crime Commissioner's across the country are likely to go for £15 and several forces will go above this, recognising the financial strain on police services.
- It may conflict with the internal Corporate Governance Framework.
- The force had a balanced budget based on a £14 precept increase, but £11 creates a £1.2 million outstanding deficit to overcome (despite £1 million reduction in police staff and £0.5 million in police officer resources already planned to be delivered 31st March 2026).
- The force costs more each year to maintain the same level of police staff, police officers and PCSO and therefore the decision will directly result in a reduction in resource and service to the public at a time of greater demand, expectation, and complexity.
- A £3.7 million prevention reserve fund is created from OPCC and Force reserves with no operational policing advice as to use, benefit and alignment with operational need having been provided due to no detailed business case, rationale or evidence base for its use having been shared.
- The decision reduces the public service that can be provided by Leicestershire Police by circa £6 million over four years (£1.4 million per year rising to £1.56 million per year and continuing to rise thereafter year-on year).
- The budget deficit based on the national figures known to date creates a £16.4 million deficit in the next four years, which will require significant further cuts that could be mitigated by the maximum precept increase.
- It undermines the Police and Crime Commissioner aims to be sustainable.

- The detailed rationale, written evidence base and any community safety or impact assessment for an £11 has not been shared with the Chief Constable.
- 2.11 It is for the Police and Crime Commissioner as part of their overall duty to “*secure the maintenance of the police force*” and “*secure that the police force is efficient and effective*” and the decision now will have significant longer-term impact past the term of office of the Police and Crime Commissioner.
- 2.12 In conclusion, the Chief Constable recognises the impact of any extra tax being placed on households, no one would really want to have to pay more; but this has to also be balanced with the potential level of harm, risk to the public safety and to the reduction on already strained public service from further reductions in your local police force. The operational policing advice of the Chief Constable is for the Police and Crime Commissioner to set a £15 precept increase. This is a £4 per annum / 8p per week higher than the proposed £11 increase.
3. **Recommendations**
- 3.1 The Police and Crime Commissioner set a Band D precept increase of £15 for 2026/27.
4. **The Budget Process**
- 4.1 The Chief Constable recognises the challenge that the current and previous Government’s approach to one-year funding has created and has previously written to the Policing Minister and engaged with local Members of Parliament to highlight these concerns. The Chief Constable fully recognises the difficulty in setting the budget and implementing the steps required when there is uncertainty around the budget settlement, the impact of public finances on local people and the fact the national policing funding formula has disadvantaged Leicestershire Police and the communities of Leicester, Leicestershire and Rutland over many years.
- 4.2 It is important to highlight that Leicestershire Police is subject to an annual external audit of its financial statements and value for money by Grant Thornton UK LLP. These are statutory requirements and provide a clear assessment of the strategic financial planning and operational delivery, as well as a national comparator. The internal auditors (Forvis Mazars) also audited the force’s core financials, payroll, sustainability, savings plan and budgetary control. All areas have received the highest levels of assurance.
- 4.3 In addition, the Police and Crime Commissioner invited the Home Office in October 2021 and an external consultant in 2024, to conduct an additional external assessment of the force’s financial management. The former Minister

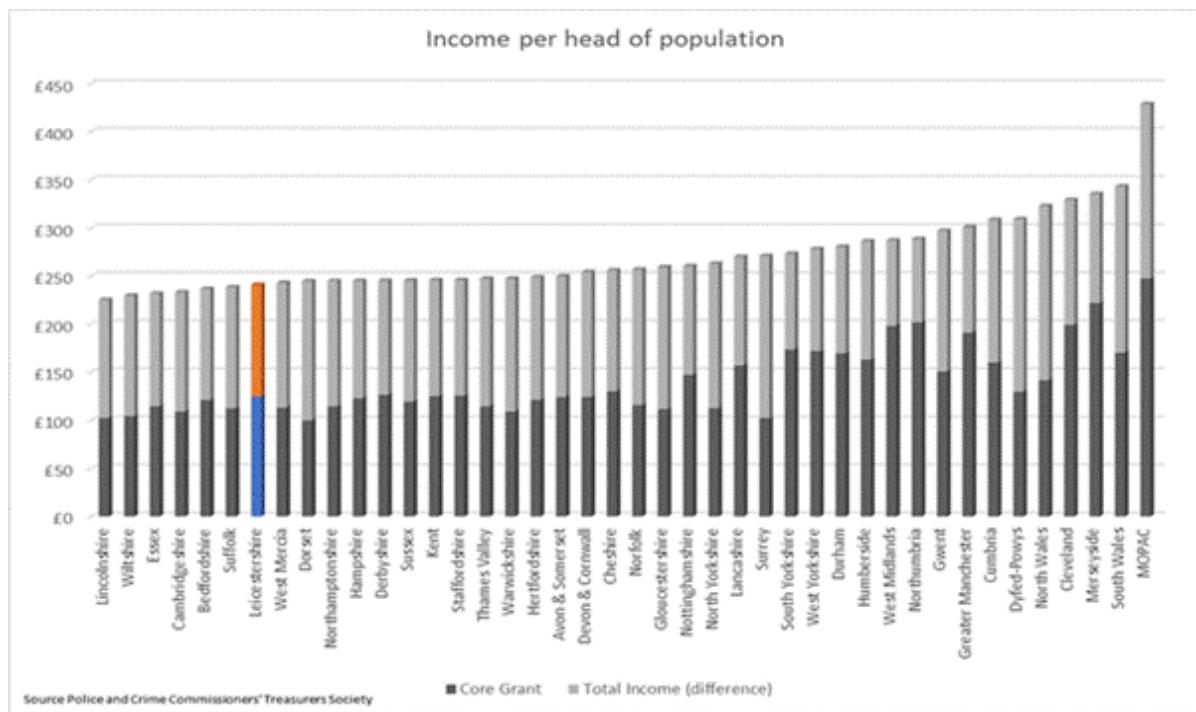
of State and Policing Rt Hon. Kit Malthouse confirmed that there was a strong focus on financial management in the force, that financial planning assumptions were consistent with those used by similar forces and was reassured on the financial position. The value for money report commissioned in 2024 also did not result in any concerns being identified to the force and no recommendations for improvement were made.

- 4.4 The Police and Crime Commissioner and the Chief Constable recognised that the public finances were unlikely to improve, and a budget deficit was expected for 2026/2027.
- 4.5 The force had developed a sustainability plan that has delivered and overcome all the recent budget deficits (£23million in last three years). The latest audit reports on Core Financials, Sustainability and Payroll all have the highest levels of assurance achieved, with the force being shown within the highest performing in the sector.
- 4.6 These reports have been shared and reviewed within the JARAP (Joint Audit and Risk Assurance Panel), who have provided further independent scrutiny and have also provided positive feedback on the approach, jointly agreed (force and Police and Crime Commissioner) financial assumptions, and external audit findings received by Leicestershire Police in regard the sustainability plans and financial management.
- 4.7 The National Police Chiefs Council (NPCC) have also shared data with the force that reaffirms the positive financial approach the force has taken to sustainability.
- 4.8 Leicestershire Police is graded in the top forces by HMICFRS (the police service inspectorate) and in the context of a future White Paper on policing in 2026, this is a positive position to be in.
- 4.9 Leicestershire Police understands the real benefits of having good financial planning, recognising that any significant change has direct implications on the operational viability and the actual policing operating model. This takes time, investment, and effective planning to ensure that the changes can achieve the desired aims and mitigate the impact on our service to the public, and on the police core role as an emergency service, keeping communities safe by maintaining order and preventing and detecting crime.
- 4.10 As part of the approach developed last year and receiving positive feedback from the Police and Crime Commissioner, the force and the Office of the Police and Crime Commissioner (OPCC) have tried to work collaboratively and consider the budget from a holistic perspective. This also helps the statutory functions of the S151 officers to be discharged.

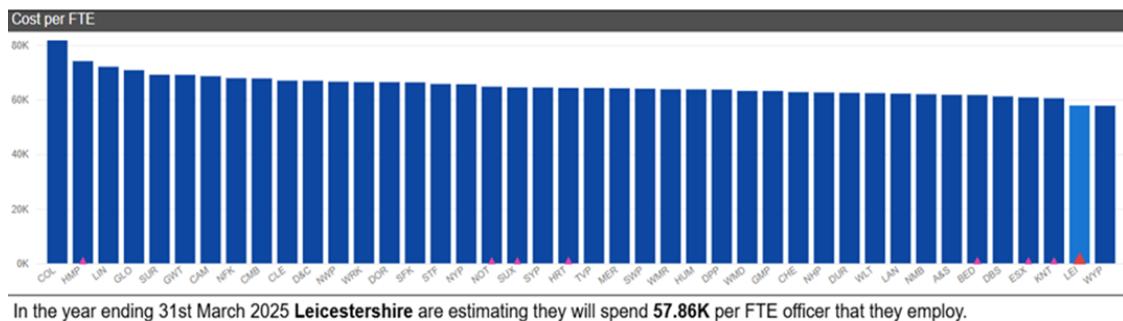
- 4.11 The Police and Crime Commissioner receives all the funding provided to the force through Home Office Grant and Local Precept. This is then split into an allocation for the force to deliver policing services and to the office of the Police and Crime Commissioner (OPCC). The approach has included considering the finances throughout the period of the Medium-Term Financial Plan (MTFP) rather than focussing simply on the one-year settlements received from central government. The joint approach also enables a greater understanding to be developed between the Police and Crime Plan, commissioned services, national policing requirements and the core duty of the force as an emergency service, there to maintain order and prevent and detect crime.
- 4.12 As part of the budget build, the Chief Constable and Police and Crime Commissioner consider and agree several financial assumptions, as the actual financial details will be unknown. For example, the precept levy, the grant settlement, any additional specific grants, the council tax base, and collection fund allocations are not known when building the budget. The force and OPCC cannot wait until these final decisions are confirmed or communicated as this gives insufficient time to prepare for the outcome, which could mean the force grows its capability/capacity or as in recent years continually decreases the level of resources available. The force needs time to understand the implications, interdependencies and identify mitigation and methods to reduce the impact on public safety and the service provided to the public.
- 4.13 A fundamental element of this collaborative approach was the Chief Constable and Police and Crime Commissioner agreeing the assumptions that the force and OPCC would utilise that would inform the budget build. It was recognised that there could be changes or volatility, but the overarching strategic approach would ensure the force and OPCC is well placed and can demonstrate strong competent financial management. To support this the Police and Crime Commissioner introduced a new approach, timetable and bespoke finance meeting called the Financial Scrutiny Oversight Board (FSOB).
- 4.14 The assumptions are important and the more accurate they are, the greater certainty there is in the planning. The assumptions are built and based on an assessment of the information known at the time, the contextual financial picture nationally and locally, and guidance from the Home Office. They are reviewed regularly in the budget meetings, including the newly introduced Financial Scrutiny Oversight Board. From February 2025 right through to the 22nd of December 2025, this included a jointly agreed £14 precept assumption.
- 4.15 The Chief Constable has provided full transparency regarding the budget build process, providing open access to the Police and Crime Commissioner, their Monitoring Officer, and their S151 Officer to all the budget build data, working papers. The force has also responded to the Police and Crime Commissioner's additional requests for financial and organisational information within the requested timescales.

4.16 The Budget Settlement was received on the 18th of December. The settlement for the first time in many years was fairer to the communities of Leicester, Leicestershire, and Rutland, with the level of grant shared in the provisional allocation data being £1.4 million higher than had been anticipated.

- 4.17 On the morning of Monday 22nd December, the force had effective plans to close the budget deficits, and to fund the investments required to improve efficiency, improve service and/or performance based on the budget settlement and a £14 agreed precept assumption.
- 4.18 The provisional settlement announcement provided the Police and Crime Commissioner the opportunity to increase the precept to £15. This was welcomed as Leicestershire Police is underfunded compared to other forces and it helps address the funding challenges continually being addressed in recent years and supports the force aim to remain sustainable through the MTFP.
- 4.19 It is important for the Chief Constable to highlight the implications of the budget and place them in the context when compared nationally. It is believed Leicestershire would be an outlier for not setting a maximum precept and it is expected that several forces are going above £15 to address the financial pressures. Therefore, the current approach will mean the force remains in the lowest group for funding.
- 4.20 The underfunding is illustrated in the 2025 national data graphs below and is included in the Police and Crime Plan. The graphs show Leicestershire police in the lowest group of forces nationally for funding already.



Graphs taken from 2024/25 HMIC Value for Money Profiles



4.23 Revised budget allocations were presented and discussed in further Financial Scrutiny Oversight Board meetings attended by all relevant persons (including the Chief Constable) and chaired by the Police and Crime Commissioner on the 13th, 14th, and 19th January 2026.

4.24 The Chief Constable provided a further detailed response and operational policing advice to the proposed budget allocation and again there were several changes and decisions made that were received positively, as they would help mitigate future reductions in public service and operational capability and capacity of Leicestershire Police.

4.25 The budget required by the force for 2026/27 is £288.4 million. The current allocation provided by the Police and Crime Commissioner to Leicestershire Police is only £283.7 million, resulting in a funding shortfall of £4.7 million.

4.26 To close the budget deficit in 2026/27 the force has identified and will deliver £1.8 million of further efficiency savings by the 31st of March 2026 (including £1 million reduction in police staff and £0.5 million reduction in police officer pay costs and £0.3million non pay costs).

4.27 The force's prudent financial management in 2025/26 will deliver £1.5 million of savings to reduce our ongoing capital debt charges, thereby delivering a reduction in £0.5million in revenue costs for 2026/27 and beyond.

4.28 The Police and Crime Commissioner has agreed to provide £1.2 million reserves funding for one off costs in 2026/27.

4.29 This leaves a residual deficit of £1.2 million for 2026/27, which would have been closed with a precept increase of £14 or more.

4.30 The Chief Constable appreciates the changes made by the Police and crime Commissioner to the force budget allocation following extensive negotiation but continues to have concerns in regard the finalised budget allocation.

- The force had at midday on the 22nd of December presented a balanced budget based upon the jointly agreed assumptions and provisional settlement.
- The revised allocation in January still resulted in a £4.7 million deficit, with £1.2 million remaining due to the precept decision (even with £1 million of police staff and £0.5 million of resources already identified to be removed

by the 31st of March 2026 to ensure the force would not be overspending as entering 2026/27).

- There continued to be no additional OPCC contribution to the force deficit and the full OPCC budget details has not been shared with the force, but it appears to have reduced by £189k in 2026/27 compared to 2025/26. However, the overall cost of the OPCC has increased to £8.6 million from £5.4 million in 2025/26 (not including the creation of the new prevention reserve fund in 2026/27). This increase appears to have been funded by £3.4 million of MOJ/Home Office grants and £0.13 million use of OPCC reserves.
- A £3.7 million Police and Crime Commissioner prevention reserve fund is created from force and OPCC reserves and at this stage no operational policing advice has been provided as the evidence base, clear rationale or business cases have not yet been shared.
- The Police and Crime Commissioner, OPCC S151 Officer and the Monitoring Officer have not yet provided any details of the advice, rationale or evidence base for the £11 precept increase decision.
- The £11 precept increase
 - Is contrary to the jointly agreed £14 increase assumption built into the budget build since February 2025, undermining effective strategic financial management.
 - Is in contradiction to the Police and Crime Commissioner's own precept consultation where 69% of people supported an increase above £11 and 56% support a £14 or more increase.
 - Jeopardises and creates additional future pressure on sustainability through the Medium-Term Financial Plan (MTFP) and subsequent public service provision.
 - Conflicts with the aims and statements within the Police and Crime Plan.
 - Will result in a direct reduction in policing resources on top of £23 million already delivered in the last 3 years and creates a residual deficit in 2026/27 of £1.2 million.
 - Creates a £1.4 million per year funding shortfall that continues to rise to circa £6 million funding shortfall over 4 years of the MTFP and increases further year-on year.

4.31 There is a concern that the long-term impact of the decision will not secure the maintenance of the police force, will not ensure that the police force is efficient and effective, and impact upon the Chief Constable ability to be able to deliver an effective and efficient service.

5. Precept

- 5.1 The Chief Constable recognises the pressures on the public purse and on family and household finances. The Chief Constable has consistently raised concerns around the force funding formula and has appreciated the cross-party support of local members of parliament to help raise this issue and address this underfunding. It is also recognised that underfunding has been evident across many public service areas serving Leicester, Leicestershire, and Rutland.

5.2 The budget settlement was better than expected and there are of course many different views on the concept of precept and the inequality across different areas of the country. However, the precept does make a real difference and whilst no one would want additional taxation this has to be balanced with the level of harm, the impact on public safety and public service if your local police force continues to reduce.

5.3 The funding envelope being provided to the force on the 20th of January creates a £4.7 million deficit. Plans are in place to address £3.5 million, and this means the force must find £1.2 million in further cuts.

5.4 The key decisions creating the additional deficit are as follows.

 - Precept increase reduction from £14 to £11 £1.065m per year.
 - Precept at £11 and not supporting £15 £1.4m per year.

5.5 It is important to highlight if the Police and Crime Commissioner chose not to take a maximum precept increase of £15 but remained at £14 as included as part of the jointly agreed assumptions in the budget preparations and still supported in the public consultation, the force would have a balanced budget for 2026/27. This would still create significant cost pressures within the period of the MTFP and still require the force to deliver the £1million reduction in police staff and £0.5 million in police officer costs by the 31st of March 2026. This is in a context where Leicestershire Police is experiencing greater complexity of demand, higher need for investments in technology and specialisms, but with real terms cut in budget and a further year on year realignment of the workforce.

5.6 In the past the precept has led to growth and investment, but the reality is that this year, as with recent years, the precept increase will be mitigating the number of cuts required and the potential severe impact on public service.

5.7 The force already has one of the leanest back offices in the country, as evidenced in the HMICFRS value for money profiles. The Police and Crime Plan specifically highlights the force's underfunding. An £11 precept increase in 2026/27 would mean a further and additional significant reduction to the

force's resources, which would predominantly have to be met if the government police officer uplift penalties are not removed by resource reduction, redundancy and reverse modernisation of officers moving from frontline roles into back-office functions, reducing the force's ability to deliver core functions and/or being visible within our communities. If the uplift penalties are removed, it could mean a further significant reduction in police officer numbers. Leicestershire Police still has less Police Officers, PCSO's and Police Staff than it did in 2010 despite the increase in demand, calls for service and complexity of modern policing.

- 5.8 With a £11 precept increase, it is the force's view that the transformation and service to the public will need to be significantly reduced or withdrawn. It will also impact on the investments we can make, in developing skills and training of our people, in local neighbourhood policing, in technology and prevention, which are designed to improve service, reduce extraneous demand, and find savings and efficiencies in the medium-term. All contributing directly to the force's effectiveness, efficiency, and legitimacy.
- 5.9 The Chief Constable and the Police and Crime Commissioner have been raising the unfair funding of Leicestershire Police. If the settlement still leads to a budget deficit and if the precept funding allocation is not changed, it is disappointing that it is local Police and Crime Commissioner decisions that do not help try and address further budget strain, risk, and pressures on the force, with an impact on public harm, safety and service.
- 5.10 The Police and Crime Commissioner should understand that a £11 precept increase will affect the policing service for the people of Leicester, Leicestershire, and Rutland in the short, medium, and long term. It is contrary to the operational policing advice of the Chief Constable and will impact on the ability to continue to deliver service in 2026/27 in the same way as in 2025/26 and will impact on having due regard to the Police and Crime Plan.
- 5.11 The Government has given police forces the opportunity to apply for a precept increase above 29p per week / £15 a year. As a nationally underfunded force a significant increase above £15 would solve several challenges and strengthen the capability of the force significantly. It would help maintain and improve service to the public and help return to past levels of resourcing.
- 5.12 Despite this, the Chief Constable has not sought to request a precept increase above £15. The Chief Constable has considered the criteria and considered the local impact on taxpayers and balanced this with the plans for the force can achieve with a £15 precept increase in 2026/27.

6. **Sustainability**

- 6.1 The Police and Crime Commissioner has held the force to account in regard the sustainability plans. The predominant driver for the budget deficits has been the

imposed national unfunded pay awards, which have been overcome, and over £23 million efficiency savings being delivered in the last 3 years. The pay award in 2025 of 4.2% increased the force costs by £4 million in 2026/27 and IT inflation was running at 13%, which is totally out of the control of both the Police and Crime Commissioner and Chief Constable.

- 6.2 The budget deficits being have been overcome and both the internal and external auditors have highlighted the effectiveness of the force approach. It appears that in the current budget allocation the fact £23 million savings have been taken out of the force's budgets in the last three years and there are less Police Officers, PCSO and Police Staff than in 2010 has not effectively been taken into consideration when creating further pressures on the force.
- 6.3 It should be noted that from the effectiveness of the force approach there was a balanced MTFP based on the jointly agreed assumptions with the Police and Crime Commissioner as recently as in June 2025.
- 6.4 Throughout the year financial papers have been submitted with the agreed assumptions and there was no shared planning to reduce the precept increase below £14. This includes in the November and December Financial Scrutiny Oversight Boards. The Chief Constable was not consulted and had consistently highlighted the importance of the precept decisions. The force supported the Police and Crime Commissioner with transparent and effective budget planning and in regard the aim that any reductions need to be made in a planned and sustainable way, as to not compromise service delivery and public safety. A substantial and significant change being made at such a late stage is undermining to effective strategic financial management, which the force delivers at the highest levels, as highlighted through internal and external audit.
- 6.5 The reduction of the precept increase, from a maximum £15 to £11 (29p per week to 21p per week and £4 in total difference) will have a cumulative effect and within the period of the 4 years of the MTFP means a circa £6 million reduction in public service funding, with £1.4 million reoccurring every year thereafter (but growing each year to £1.55million by end of MTFP).
- 6.6 To put it into context £6 million is the equivalent of 150 PCSO's serving the public locally in our neighbourhoods.
- 6.7 An important aspect to consider is what is known, and the implications of decisions today will have on sustainability in the future and through the period of the MTFP. The Police and Crime Commissioner has not shared with the Chief Constable any advice they have received, or any information regarding the impact assessment that this reduction would have on the policing services, or the considerations made by the Police and Crime Commissioner in managing the future impact of the decision.

- 6.8 As part of the strategic planning, we must recognise and consider the force currently spends less on our police officers compared to other forces (HMICFRS Value for money profiles) due to a lower management profile, but predominantly due to the length of service of our workforce. Currently a new in-service Police Constable with on-costs is £45k per annum, rising with each year of service to £72k per annum within 7 years. Therefore, the cost of our police officer establishment will increase year on year for the same amount of actual deployable resource. This must be considered with a clear strategic view to the future when making decisions around funding and affordable officer numbers. If this is not funded the number of police officers in the future would reduce to remain within the same budget.
- 6.9 The strategic and planned use of reserves helps to support maintain and deliver public service and keep people safe. This has and should still be used to support the force deliver on its core functions. The strategic use of reserves is an area that is important around sustainability, to ensure that a longer term and not a short-term approach is undertaken. Therefore, any investments using reserves need clear business cases and consideration of the longer-term impact to supporting force demand, enhancing public service or safety, increasing performance or supporting the force be more efficient. This is set within the context of a shrinking organisation at time of increased demand and complexity.
- 6.10 The decision around the use of reserves and the precept is a decision of the Police and Crime Commissioner but the Chief Constable highlights the impact that this will have in year but also the cumulative impact on sustainability each year of the MTFP. The current approach would undermine the Police and Crime Commissioner's aim to be sustainable through their term of office and will not support the Police and Crime Commissioner discharge their statutory responsibilities.
- 6.11 The danger is that the force financial situation, the number of officers, PCSO and police staff and ability to meet public needs will in the longer term be in a worse position, which would be potentially explainable to the public from externally imposed budget settlements, but more difficult when based on local decisions.
- 6.12 The following data evidences and clearly illustrates the impact and necessity to make the right decisions now and for the future.

Precept Options Summary 2026/27

Option 1 - £15 Precept Increase

Extrapolation of funding based on total SR funding envelope including grant & precept, 3.6% increase in 2027/28, and 2.5% increase in 2028/29 and 2029/30 based on provisional settlement.

Inclusion of future years costs for Neighbourhood Grant Officers and Staff - details to be confirmed by Home Office. One off costs in 2026/27 funded from reserves removed from 2027/28 onwards (reserves £208k less than option 2).

	2026/27	2027/28	2028/29	2029/30
	£	£	£	£
Expenditure	271,728,089	288,587,306	297,993,982	309,362,184
Funding	268,464,650	278,129,377	285,082,611	292,209,677
Surplus / (Funding Gap)	(3,263,439)	(10,457,929)	(12,911,371)	(17,152,507)
Savings / Use of Reserves	3,263,439	2,295,745	2,295,745	2,295,745
Net Surplus / (Funding Gap)	(0)	(8,162,184)	(10,615,626)	(14,856,762)

Option 2 - £11 Precept Increase

Extrapolation of funding based on total SR funding envelope including grant & precept, 3.6% increase in 2027/28, and 2.5% increase in 2028/29 and 2029/30 based on provisional settlement.

Inclusion of future years costs for Neighbourhood Grant Officers and Staff - details to be confirmed by Home Office. One off costs in 2026/27 funded from reserves removed from 2027/28 onwards (maximum agreed use of reserves).

	2026/27	2027/28	2028/29	2029/30
	£	£	£	£
Expenditure	271,728,089	288,587,306	297,993,982	309,362,184
Funding	267,043,665	276,657,237	283,573,668	290,663,010
Surplus / (Funding Gap)	(4,684,424)	(11,930,069)	(14,420,315)	(18,699,174)
Savings / Use of Reserves	3,471,507	2,295,745	2,295,745	2,295,745
Net Surplus / (Funding Gap)	(1,212,917)	(9,634,324)	(12,124,570)	(16,403,429)
Variance - Option 1 v 2	1,212,917	1,472,140	1,508,944	1,546,667

6.13 There also appears to be a potential contradiction with the internal Corporate Governance framework section 6.1.17 that outlines below a requirement to balance expenditure needs of the police service against the level of taxation to achieve a balanced budget. Therefore, if expenditure needs to be higher, taxation should rise accordingly.

Corporate Governance Framework

December 2025 Version Five

6.1.17 The Police and Crime Commissioner should consult with the Chief Constable and other relevant partners and stakeholders in planning the overall annual budget which will include a separate force budget. This will take into consideration funding from government and from other sources, and balance the expenditure needs of the policing service and community safety against the level of local taxation. This should meet the statutory requirements to achieve a balanced budget (Local Government Act 2003) and be completed in accordance with the statutory timeframe.

6.1.18 The annual budget should be prepared within the context of the medium-term financial plan, representing the first year of that plan. The impact of the annual budget on the priorities and funding of future years as set out in the Police and Crime Plan and the medium-term financial plan should be clearly identified.

7. **Precept Increase of 29p per week / £15 per year**

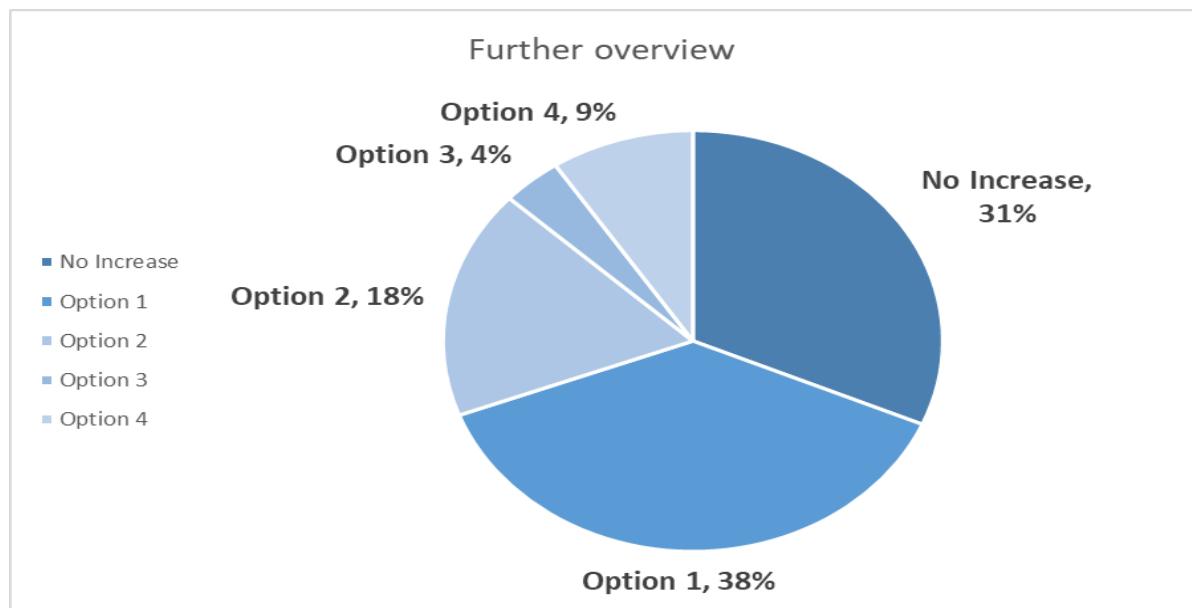
- 7.1 The precept increase of 29p per week / £15 per year is only 8p per week and £4 a year more than the £11 set by the Police and Crime Commissioner.
- 7.2 Using precept, the force will be able to protect the investment in those service areas we know are important to local communities and those outlined in the Police and Crime Plan. For example, it would enable us for a year to maintain our focus on neighbourhood policing, urban and rural crime, violence against women and girls and high harm crime, whilst maintaining the current operating model but still with less people.
- 7.3 A £15 precept increase will enable the force to continue to maintain the improved call handling performance for emergency 999 and non-emergency calls. Without the maintenance of the investment, despite introducing new ways working, using right care right agency best practice, refurbishing the facility, and introducing new digital technology the service to the public will reduce.
- 7.4 A £15 precept increase will support the force approach and collaborative partnership with the OPCC, to develop and maximise the benefits of the new Prevention Directorate, in particular with external partners develop and optimise new diversionary programmes to prevent crime, provide tailored and targeted support and intervention, to both those victims and offenders who display additional risk of becoming a victim again, or of further offending.
- 7.5 The Chief Constable has due regard to the Police and Crime Plan and supports a focus on prevention activity, and a £15 precept increase would support the Police and Crime Commissioner ambition to continue to focus on prevention.
- 7.6 A precept increase of £15 will also allow us to continue to move forward at pace to deliver the next phase of transformation linked with IT and digital restructuring to enable greater safe use of AI and automation to create both cashable and non-cashable efficiencies.
- 7.7 If a £15 precept increase is agreed, it would enable for a year the force to maintain the uplift in police officer numbers in neighbourhoods and maintain the plan to increase in 2026 the number of PCSOs into rural communities and the city.

- 7.8 A £15 precept increase makes a real difference to the cuts that the force faces in the next four years. There is a clear balance required and based on the current trajectory and current financial assumptions the force cannot achieve both, between not wanting to increase local taxation, but also wanting to make sure that there is not greater harm and risk to the public, that public service can be maintained, and that police visibility does not reduce further.
- 7.9 Precept is the decision of the Police and Crime Commissioner, and it is not just a decision for today but also a decision for the future that creates a real legacy impact through the period of the MTFP and beyond.
- 7.10 The decision to have a £11 precept increase and not to support a £15 increase needs to be informed in light of the assumptions of the future grant allocations and MTFP (as clearly shown at page 15) and have due regard to the statutory role of the Police and Crime Commissioner to *“secure the maintenance of the police force”* and *“secure that the police force is efficient and effective”*.
- 7.11 The difference between the £15 precept increase and an £11 precept increase is only £4 per annum or 8p per week in 2026/27. This must be considered in achieving a balance between the family/household’s budget and the implications to public safety and harm and a significant future reduction in police officers, PCSO’s and staff.

8. **Public Consultation**

- 8.1 The Police and Crime Commissioner’s budget allocation to the force does not appear to be fully informed by the public consultation. The Police and Crime Commissioner refers to the strain on the public and personal finances which the force is very sensitive to and recognises this within its own workforce. There is though no reference to the broader cost of crime to the local economy, the benefits policing provides, the impact on core policing services, the impact in relation to the force support to the police and crime plan and the potential harm caused from reducing policing resources.
- 8.2 The Police and Crime Commissioner undertook a public consultation on the precept levy. The decision to set a £11 precept increase for 2026/27 is contrary to the public consultation outcome, as illustrated in the tables below created by the Office of the Police and Crime Commissioner.

Option	Description	Indicative cost increase per week for Band D property	Percentage of responses for each option
Option 1	Paying more to contribute towards the ongoing financial pressures of Leicestershire Police	+30p (*actual +29p)	38%
Option 2	Matching the increase from last year (25/26)	+27p	18%
Option 3	Paying more to contribute to the costs of the pay award (4.2%)	+24p	4%
Option 4	Paying more to contribute to the costs of inflation (3.8%)	+22p	9%
Option 5	No increase	0p	31%



- 8.3 The largest section, 38% of those responding supported option 1 paying 29p a week / £15 more to contribute to the ongoing financial pressures of Leicestershire Police.
- 8.4 56%, a majority of those responding supported option 1 or 2, a precept of 27p per week / £14 or more.
- 8.5 69% indicated they would be happy to support at least the minimum increase to maintain service levels, which is actually above 21p per week / £11 a year.
- 8.6 Only 31% supported no increase at all, of which the data provided by the Office of the Police and Crime Commissioner showed it was the council tax higher Band, rather than the lower Band, that were less likely to support the increase.

8.7 A reduction in the support provided by taxpayers will have a real impact on public service, community safety and operational capability of the force in the short, medium, and long term as it will have a permanent year-on-year detrimental impact.

9 **Police and Crime Plan**

9.1 The Chief Constable has due regard for the police and crime plan and there is consistent evidence of the force's contribution to the delivery of the plan. The current budget allocation has a direct impact on the resources of Chief Constable and therefore restricts the ability to deliver against the plan in the future.

9.2 The precept decision to go for £11 increase does directly impact on the stated aims and statements included in the police and Crime Plan

- **How the force is already disadvantaged.**
- **How financial sustainability of the force will be key.**
- **Aim that the force is well resourced.**
- **That the force is secure for the long term.**
- **That the force has a sustainable financial position into the future.**
- **That a long-term approach to resources, spending, and funding pressures will be taken.**
- **That you can only allocate the resources with which you are provided.**
- **That Leicestershire Police have one of the lowest levels of funding per head of any police force in the country.**

9.3 The impact of the decision and the constraining of the available resources will impact on the service provided to the public and therefore has the potential to undermine the shared ambition of the Chief Constable and Police and Crime Commissioner to build and improve trust and confidence in policing.

10 **Operational and Organisational Implications, threat, and risk**

10.1 It is important for the Chief Constable to highlight the implications of the budget and place them in the context of current operational demand, threat, and risk in Leicestershire.

10.2 The strategic challenges outlined for 2025/26 in the previous Police and Crime Panel operational budget report of January 2025, remain largely the same as we enter 2026/27, but with the unenviable requirement for a further reduction in

people and resource to address these challenges in 2026/27 because of the budget decisions.

10.3 The Chief Constable has set out his strategic plan for addressing these strategic challenges and delivering both the force priorities and ambitions of the Police and Crime Commissioners Police and Crime Plan in 'BluePrint 2030 and beyond'.

10.4 Leicestershire Police remains resolutely committed to delivering consistently good public service with high standards and despite the underfunding (lowest 7 in country of 43 forces) building further on our ranking (top 8 in country of 43 forces) as a leading force in the UK, as we support the delivery of the Police and Crime Plan and deliver our core role as an emergency service and protecting our communities by maintaining the peace and preventing and detecting crime.

10.5 Funding Leicestershire Police contributes into a system that provides universal protection, safety, and order for everyone in Leicester, Leicestershire, and Rutland, regardless of where they live or what they earn 24/7, 365 days a year.

10.6 In Leicestershire Police, around 81% of our entire budget is spent on people, Officers, PCSOs and staff because policing is a people business delivered day and night. Leicestershire Police provides a 24/7 emergency service that comes when it's needed most, provides visible neighbourhood policing that keeps streets, towns, and villages safer, contains skilled investigators and specialists for today's complex crimes, provides protection for the most vulnerable in our communities and behind the scenes our enabling teams and national collaborations make it all work efficiently.

10.7 Policing is complex, covering a broad range of services and functions, including:

✓ **Emergency Response (999 and 101)**

A core function of the Police

- Immediate response to life-threatening emergencies
- Attendance at collisions, crimes in progress, missing persons, and domestic incidents
- Close coordination with Ambulance and Fire Services, 24/7, 365 days a year

✓ **Crime Prevention and Deterrence**

A significant part of our policing approach is preventing harm before it occurs. As a result, residents, students, businesses, and visitors across Leicester, Leicestershire, and Rutland benefit from the following prevention activity:

- Visible neighbourhood policing that deters crime and antisocial behaviour
- Licensing and safety checks for venues, events, and public spaces
- Prevention and partnership work with OPCC, councils, schools, and charities
- Intelligence led disruption of organised crime and high harm offenders.

✓ **Investigation of Crime**

Taxpayers' funding pays for the people and technology to:

- Investigate crime – including violence, sexual offences and VAWG, burglary, vehicle crime, rural crime, retail and business crime, fraud, online crime, hate crime, cybercrime, and all crimes under the Home Office National Crime Recording Standards

- Secure evidence, arrest and interview suspects, safeguard victims, and support prosecutions

✓ **Protection of Vulnerable People**

We deliver services that allow us to safeguard those most at risk:

- People affected by domestic abuse, children at risk, exploited adults, missing people.
- People in mental health crisis (often requiring longer officer time and specialist partners)

✓ **Counter Terrorism, Firearms & National Security**

Taxpayers in LLR receive support and protection from dedicated Counter Terrorism, Firearms and Serious and Organised Crime Teams. Much of this work is not visible, and that's by design. However, they protect local communities by the:

- Disruption of extremist threats and organised networks
- Protection of crowded places and critical infrastructure
- Coordination with regional and national policing units
- Response to public safety incidents and crimes

✓ **Public Order & Safety at Events**

Leicestershire Police provide public order and public safety services across LLR and beyond and ensures our communities can safely enjoy events throughout the year. The services we provide include policing:

- Protests and marches
- Football matches, concerts, festivals, and major community events
- VIP and royal protection

✓ **Roads Policing**

Taxpayer funding supports:

- Serious collision response and investigations
- Tackling dangerous and uninsured driving
- Disrupting criminals who use the road network.

✓ **Partnership Work That Saves Society Money**

Leicestershire Police have statutory responsibilities that it legally must deliver and supports other locally based partners in protecting our communities. We work with:

- NHS & Mental Health Services, Local Councils, and Social Care
- Probation, Prisons, and Charities
- Regional and national policing collaborations for specialist capabilities and services

✓ **Good Value to local Taxpayers**

Independent scrutiny says we run a lean, value for money service.

- External and internal auditors have given the highest levels of assurance on our financial management and sustainability.
- HMICFRS Value for Money profiles show Leicestershire has very lean "back office" functions compared to peers, with proportionally higher investment in frontline delivery.
- We have delivered £23m of efficiency savings in the last three years, redesigned processes and introduced technology (incl. safe and policy supported automation and AI) that gave 200,000 staff hours back to frontline work without compromising safety.
- Our operating model prioritises local neighbourhood policing supported by specialists, so issues are owned and solved where they occur.

10.8 In 2025, the force has dealt with approx. 1500 calls for service a day, which amounted to 4,899 additional 999 calls and 38,565 more non-emergency calls than last year.

10.9 Policing pressures in 2025 have been consistently high across the year, with our officers making over 15,000 arrests, investigating 91,500 crimes, looking for 3756 missing people and sharing over 48,278 referrals to partners identifying potentially vulnerable adults and children.

10.10 In 2025 the force launched 11 homicide investigations, of which 2 have resulted in convictions, 5 have been charged and awaiting conclusion at court and 4 remain under investigation.

10.11 We also attended 665 deaths in the community and completed enquiries on behalf of His Majesty's Coroner.

10.12 There were 17 critical incidents which required Gold Group oversight, covering a broad range of operational issues from IT and Cyber events, missing people, community tension and criminal justice pressures.

10.13 The force undertook 220 Firearms deployments across the year, of which 177 were dynamic incidents presenting immediate risks to the public, 43 were planned operations. requiring a coordinated Command response and there were 8 mutual aid deployments to support national firearms threats.

10.14 Furthermore, the Force experienced additional demands from the prison sentence changes and early release of prisoners and around policing protests in the summer and autumn linked to international conflicts, community tensions and immigration policies. There were 71 full Public Order deployments by the force in 2025, 53 being in response to public safety events in our force area, and 18 being in support of national events.

10.15 We have supported numerous national community safety campaigns this year, including the Safer Summer and Safer Winter initiatives. This has resulted in 178 events having taken place across Leicester, Leicestershire and Rutland including beat surgeries, patch walks, and public gatherings. 88 business-focused events were conducted across each of the neighbourhood policing areas and over 2000 additional patrol hours were delivered during the campaign.

10.16 The force covers an area which is rightly proud of its rich diversity and range of emerging and established communities, including large scale new housing estates being built in our rural and metropolitan areas. This provides both challenges and opportunities for the force in delivering the service we believe all members of our communities deserve.

10.17 In line with consistent trends over previous years, our population has grown by over 100,000. Leicester remains one of the most deprived cities in England ranking 32nd most deprived out of 317 local authority districts.

10.18 Force data for 2025 indicates that the force arrests 1200-1300 people each month, 20% of those arrested are foreign nationals and 39% have a mental health need, 27% of detainees declare self-harm and 13.1% require an appropriate adult, increasing the resources and time to manage, process and increasing our interpreter and medical provision costs.

10.19 The levels of investment and engagement necessary to reassure and support victims, communities and sustain and maintain good order continues to far exceed what we have experienced in recent years. This has required the force to invest further in local neighbourhood policing and manage a sustained demand on specialist public order and safety officers.

10.20 Policing continues to become more complex; there are ever increasing imposed expectations on recording, checking, and processing demand and with the rapidly changing nature of crime, investment into high-harm crimes, cross-border criminality and the interconnected nature of physical and digital evidence that needs to be captured and interpreted.

10.21 There remains sustained improved confidence to report complex high harm crimes like rape, child exploitation and abuse, domestic violence, stalking and harassment. They all require continued significant investment as part of the violence against women and girls' strategy (VAWG) and 'Operation Soteria' initiative (Home Office supported approach to rape investigation), strengthened by the introduction of the National Policing Centre for Public Protection, opened at the College of Policing this year.

10.22 It is also important that the force continues to focus on areas of high harm and invests in areas of transformation. The decisions made in the past have placed the force in a stronger position to manage the challenges of today. Therefore, the investment decisions made this year, and subsequent years will help the force in 2030 and beyond.

10.23 The 2025/26 Force Management Statement is currently being finalised. This is a HMICFRS requirement for Chief Constables to complete a statement and explanation of

- *current and projected demand: the demand the force is currently facing, as well as demand it expects to face in the next four years.*
- *workforce assessment: the performance, condition, capacity, capability, well-being, serviceability and security of supply of the force's workforce and non-workforce assets, and the extent to which current force assets will be able to meet expected future demand.*
- *prioritisation and planning: how the force will change and improve its workforce, policies, practices and other assets to cope with future demand; and*
- *risk management: the risks that have been identified because of demand that can't be met, how these will be mitigated and the effect you expect this to have.*

10.24 The current draft before further budget cuts are imposed identifies 22 business areas across the force which have been assessed as a high priority due

to anticipated increased demand, threats and pressures, skills and resourcing challenges and ability to mobilise mitigation activity.

10.25 As previously, the force has prioritised, implemented, and continues to develop plans that are aligned with managing the budget and reducing the threat, risk and harm identified through our strategic and operational planning processes.

10.26 Leicestershire Police has been robust in identifying and implementing savings to address budget deficits over previous years. Most of these savings having come from reduction in police staff numbers as we seek to avoid penalties and maximise external funding opportunities. This does, however, have an impact on the reduced number of staff left within the organisation seeking to meet the ever-increasing demands.

10.27 To mitigate those impacts, the Force has sought to maximise every opportunity to identify and implement productivity improvements and create capacity for our staff, use technology to support colleagues in delivering their duties and strengthened our health, well-being, and employee incentive schemes.

10.28 In June 2025 the Force stood up an Operational Productivity forum, co-chaired by the Assistant Chief Constables to identify and introduce business focussed innovation opportunities that delivered immediate time saving to front line staff. To date, we have been able to evidence over 200k hours of time given back to officers and staff through making good decisions about how we manage our administration and processes.

10.29 Specific examples of innovation and bold decision making introduced this year to increase productivity and liberate staff from unnecessary administrative tasks include:

- Reducing the administration required around Public Protection Notice's saving at least 225 front-line officer hours per month.
- The Assessment and Investigation Unit (AIU) has been introduced to take more pressure off our emergency response teams and enhance our service offer and efficiency through a new victim video calling service, with high levels of public satisfaction recorded.
- Introducing in 2026 a role-specific approach to personal safety training, reducing the number of days officers are required to train across a 24-month period.
- Introduction of AI with necessary safeguards and policy to our policing business to improve efficiency, including around supervisory crime management functions.
- Reviewing Use of Force form requirements and reducing officer completion time

- 10.30 Our wellbeing team have introduced bespoke health, wellbeing, and fitness appointments available to all employees this year, including delivering clinics and offering appointments at police premises across LLR to maximise the opportunity and reduce the abstractions for all staff to receive well-being support.
- 10.31 The existing offer around member funded gym membership, exercise and recreational classes, financial and debt advice, mental health and addiction services have been enhanced this year in recognition that to achieve our mission of protecting communities across Leicester, Leicestershire and Rutland with an ever-shrinking work-force and increased demands, we need to ensure those who are working for us are fit, healthy, present and fully engaged in service delivery.
- 10.32 There remains enduring pressure points and business areas of particular concern regarding health, wellbeing, and attendance. For example, the performance of the control room, caused by the turnover of resources and the sustained increase in demand and calls for service. The force has continued to invest in uplifting the resources in the control room this year delivering significant improvements in call handling times and being at the forefront nationally of performance for responding to 999 calls. This has included repurposing a Chief Superintendent post to specifically Lead Force Contact and Operations and enable greater focus and support on people and performance.
- 10.33 The force recognises and really values the benefits of a mixed police workforce in terms of public service delivery, skills, and specialisms. However, the government conditions on the budget such as the PUP uplift penalties for police officer numbers have been restricting the force and the potential change of approach to lift these penalties is welcomed. The force has invested in Neighbourhood policing and tried to maximise the additional grant funding. This is a very important consideration in the budget build process as officer and PCSO numbers are supplemented from this neighbourhood uplift funding (2420 to 2242 FTE officers and 150 to 161 PCSO FTE).
- 10.34 It is worth noting that many Police Staff have an integral role in addressing the strategic and contextual risks as they have specific skills and specialisms not held within our PCSO and Police Officer establishment. Our staff consistently go above and beyond and have engaged in the transformation. The continued reduction in resources is not sustainable and means that the force will be unable to maintain the same levels of public service and protect our local communities in the same way. Any changes need the time to plan, and the right workforce mix to help mitigate the impact on public service and public safety, as well as ensuring the capacity and capability of the force can achieve the national policing requirements.

10.35 This is set in the context that £23 million has already been delivered in efficiencies in the last three years and demand, complexity and expectations are increasing.

10.36 The force needs time and investment to plan for the significant levels of budget deficit through the period of the MTFP, but it is clear the precept decisions, having a year-on-year impact will have a direct impact on public service.

11 Operational and practical impact of the proposed budget allocation

11.1 The budget allocation does increase but it is clear that the increase fails to cover the actual costs of the current force service, as illustrated in the budget allocation provided by the Police and Crime Commissioner creating a £4.7 million budget deficit on the force.

11.2 This report outlines the fact the force uses “zero based” budgeting. Each person and thing are costed so the required costs are accurate and for the force to operate under its current resourcing it will cost more than what the Police and Crime Commissioner has allocated. Therefore, the force will need to reduce as it has recently year-on-year. The force had a national 4.2% pay award imposed creating over £4million in cost increase than the previous year, pension and national insurance contributions and pay increments each year increase – a new officer costs £45k per annum but after 7 years a constable costs £72k per annum. IT inflation has risen by 13% and other costs have increased above inflation levels. To retain the same level of service each year more funding is required as the resources, of which 81% of the budget is invested in people providing a service for the public, cost more each year.

11.3 The decision to set an £11 precept increase creates a further reduction in resources and service to the public and therefore there will be further cuts and it should be highlighted the national funding remains provisional and there are several areas of potential additional costs.

11.4 The force will continue to work hard in 2025/26 to mitigate and limit the impact of the future costs, financial liabilities and ensure that service pressures are mitigated before entering the new financial year of 2026/27.

11.5 The Chief Constable continues to want to achieve a fair budget for the public and for policing and has a legal duty to ensure there is an effective and efficient police force and gives due regard to the police and crime plan. This will be challenging through the period of the MTFP.

11.6 The Chief Constable has considered the budget implications and the implications of having to make further cuts. In considering the £23 million budget deficit already overcome, the additional £4.7 million in 2026/27 and the potential £16 million deficit over four years of the MTFP this will require a target

operating model change. Any plans need to be thought through and considered fully as there is a direct risk to public service and public safety and to officer, PCSO and staff safety.

11.7 It should be acknowledged that the current service to the public would change, and it should be expected that this would need to be reduced.

11.8 The approach would follow the previous successful sustainability plan approach highlighted positively in internal and external audit, with detailed planning and a full business case to understand the implications and actual costs. This is important as the required redundancy costs would need to be built in and there is no financial provision to meet these costs. It is likely based on the information gathered when exploring and accepting voluntary redundancies in previous deficit plans, that it could take several years for a saving to actually be realised. This is due to the level of service and age of many police staff in the workforce and the risk of pension strain costs for those above 55 years old.

11.9 It is not fair or reasonable to expect the Chief Constable within such a short period to prepare a plan that is detailed, reasonable and achievable before the Police and Crime Panel (from a budget allocation finalised on the 20th of January 2026). To put the current budget allocation into reality when £23 million has already been taken out of Leicestershire Police in the last three years, there is a £4.7 million deficit to overcome in 2026/27 and for 2027/28 based on the current projections it would mean a reduction of circa. 250 police officers or a reduction of approx. 300 police staff and/or PCSO.

11.10 It is clear the £1.4million reduction per year (rising to circa £6 million in four years of the MTFP and continuing to grow year on year) in the potential budget allocation provided as a result of the precept decision will reduce the resources, capacity, and capability of the force. These resources deliver public service and keep the public safe, requiring significant planning and preparation as the target operating model and service provided to the public will need to change.

12 Summary

12.1 The internal and external audits showcase the professional approach to financial management undertaken by the force.

12.2 The Chief Constable recognises the strain on the public purse, but this needs to be balanced with the impact on public safety, potential public harm and public service.

12.3 The decision to set a precept increase of 21p per week / £11 per year, is not supported by the Chief Constable, is contrary to the public consultation and is in contradiction with the aims and statement of the police and crime plan.

12.4 The setting of the reserve strategy and precept is a decision of the Police and Crime Commissioner, the financial assumptions clearly illustrate the funding gaps created and the potential £16.4 million financial deficit over the next four years, and it is as part of their overall duty to “*secure the maintenance of the police force*” and “*secure that the police force is efficient and effective*”. The precept decision will create pressure on the Police and Crime Commissioner to deliver on their statutory role in their final years, but even more pressure on any future governance arrangement.

12.5 This report aims to show the reality of the decision not to provide the level of funding the force needs to maintain the current levels of service both now and importantly in a prudent and strategically planned manner into the future.

12.6 The decision now will have significant longer-term impact past the term of office of the Police and Crime Commissioner. The Chief Constable operational policing advice having considered the balance between tax increases and potential harm and risk to the public and impact on public service is for the Police and Crime Commissioner to set a £15 precept increase. This is only £4 per year or 8p per week higher than the proposed £11 precept increase but makes a significant difference to the effectiveness of the force in the future.

Implications

Financial: Significant

Legal: Significant in longer term as result of reduced service and resource

Equality Impact Assessment: Potentially significant dependent on outcome of budget decisions

Risks and Impact: Significant to public safety and service, delivery of Police and Crime Plan, HMIC inspections

Community Safety Impact -Potentially significant dependent on outcome of budget decisions.

Link to Police and Crime Plan: The budget has a direct correlation with the police and crime plan delivery

Communications: Police and Crime Panel, OPCC and Leicestershire Police

Person to Contact

T/Chief Constable David Sandall
S151 Finance Director Paul Dawkins

CAPITAL STRATEGY 2026/27

Introduction

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

Decisions made this year on capital and treasury management will have financial consequences for the Policing Body for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

Capital Expenditure and Financing

Capital expenditure is where the Police and Crime Commissioner (PCC) spends money on assets, such as property, IT or vehicles that will be used for more than one year.

In 2026/27, the Force is proposing capital expenditure of £9.7m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2024/25 actual	2025/26 forecast	2026/27 budget	2027/28 budget	2028/29 budget
Estates	1.3	1.2	4.0	0.3	0.1
IT	1.6	2.4	3.4	3.6	0.9
Fleet	1.6	1.0	1.0	1.3	1.3
Operational Equipment	0.1	0.2	1.0	-	-
Corporate Projects	1.5	0.3	0.3	0.6	0.6
TOTAL	6.1	5.1	9.7	5.8	2.9

The capital projects included in the expenditure above are detailed later in this report on page 6.

Governance: The Estates, IT and Transport Departmental Heads in conjunction with the business, bid annually during October for projects to be included in the Force's capital programme. Bids are collated by Corporate Finance who calculate the financing cost (which can be nil if the project is fully funded from other resources). The proposed capital programme has been reviewed by Chief Officers and the PCC's office. The final capital programme is then presented to the **Strategic Financial Oversight Board** in **December** for approval.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the PCC's own resources (revenue, reserves and capital receipts)

or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2024/25 actual	2025/26 forecast	2026/27 budget	2027/28 budget	2028/29 budget
External sources	0.7	0.9	0.7	-	-
Revenue resources	4.3	1.8	0.1	0.1	0.1
Debt	1.1	2.4	8.9	5.7	2.8
TOTAL	6.1	5.1	9.7	5.8	2.9

Where the commissioner finances capital expenditure through borrowing (debt) resources must be set aside to repay that debt from the revenue account. The amount charged to revenue account for the repayment of borrowing is known as the Minimum Revenue Provision (MRP). Planned MRP is as follows:

Table 3: Replacement of debt finance in £ millions

	2024/25 actual	2025/26 forecast	2026/27 budget	2027/28 budget	2028/29 budget
Minimum Revenue Provision (MRP)	5.0	4.9	4.4	5.0	5.8

The Statutory Guidance issued by the DCLG sets out the 4 options for calculating the MRP. The recommended MRP policy is:

- For capital expenditure incurred before the 1st April 2008 (which was supported capital expenditure) the policy will be based on 4% of the Capital Financing requirement.
- From the 1st April 2008 for all unsupported borrowing the MRP policy will be the Asset Life Method (Equal instalment approach) – the MRP will be based on the estimated life of the assets.

The Commissioner's policy is to finance shorter life assets from capital receipts, grants and revenue contributions. However, these funds are now limited and borrowing is being utilised to fund Land and Buildings with an expected life of 25 years, IT projects with an expected life of between 3 – 10 years and the purchase of vehicles.

The PCC's cumulative outstanding 'debt finance' is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP repayments and capital receipts used to replace debt. The CFR is expected to increase by £4.2m during 2026/27. Based on the figures above for expenditure and financing, the PCC's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	31.3.2025 actual	31.3.2026 forecast	31.3.2027 budget	31.3.2028 budget	31.3.2029 budget
TOTAL CFR	35.2	32.4	36.6	37.2	34.0

Asset disposals: 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 debt. No capital receipts are expected to be received during 2026/27.

Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the PCC's / Force's 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 PCC is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Due to decisions taken in the past, the PCC currently has £13.39m borrowing at an average interest rate of 4.41% and £21.8m treasury investments at an average rate of 3.9% (as at 31st December 2025)

Borrowing strategy: The PCC's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the PCC therefore seeks to strike a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher.

The PCC does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loan Board.

Projected levels of the PCC's total outstanding debt (which comprises borrowing, PFI liabilities and leases) are shown below, compared with the capital financing requirement (see above).

Table 5: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31.3.2025 actual	31.3.2026 forecast	31.3.2027 budget	31.3.2028 budget	31.3.2029 budget
Debt (incl. PFI & leases)	26.4	17.3	21.6	23.6	23.8
Capital Financing Requirement	35.2	32.4	36.6	37.2	34.0

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the PCC expects to comply with this in the medium term.

Liability benchmark: To compare the PCC's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £10m at each year-end. This benchmark is currently £13.4m and is forecast to increase to £14.4m over the next four years.

Table 6: Borrowing and the Liability Benchmark in £ millions

	31.3.2025 actual	31.3.2026 forecast	31.3.2027 budget	31.3.2028 budget	31.3.2029 budget
Existing Borrowing	24.6	13.4	9.0	5.5	3.0
Forecast borrowing	-	13.4	17.0	17.5	14.4
Liability benchmark	14.1	13.4	17.0	17.5	14.4

The table shows that there is an underlying need to borrow over the coming years.

Affordable borrowing limit: The PCC is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2025/26 limit	2026/27 limit	2027/28 limit	2028/29 limit
Authorised limit – borrowing	36.2	35.4	36.1	33.2
Authorised limit – Long Term Liabilities	2.5	2.5	2.5	2.5
Authorised limit – total external debt	38.7	37.9	38.6	35.7
Operational boundary – borrowing	33.2	32.4	33.1	30.2
Operational boundary – Long Term Liabilities	1.5	1.5	1.5	1.5
Operational boundary – total external debt	34.7	33.9	34.6	31.7

Treasury Investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The PCC's policy on treasury investments is to prioritise security and liquidity over yield. That is to focus on minimising risk rather than maximising returns. Surplus cash is invested securely, for example with the government, other local authorities, selected high-quality banks and pooled funds, to minimise the risk of loss.

Table 8: Treasury management investments in £millions

	31.3.2025 actual	31.3.2026 forecast	31.3.2027 budget	31.3.2028 budget	31.3.2029 budget
Near-term investments	20.4	10.0	10.0	10.0	10.0
Longer-term investments	-	-	-	-	-
TOTAL	20.4	10.0	10.0	10.0	10.0

Risk management: The effective management and control of risk are prime objectives of the PCC's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Force's ACO (Resources) and staff, who must act in line with the treasury management strategy approved by the PCC. Half yearly reports on treasury management activity are presented to the Corporate Governance Board.

Investments for Service Purposes

The PCC does not make any investments directly into local public services i.e buying shares or investing in local businesses to promote economic growth.

Commercial Activities

The PCC does not invest in any commercial property / activities.

Other Liabilities

In addition to current debt of £13.4m (*figure as at December 2025*), it has also set aside £1.6m to cover the risks of both the self insured public and employers liability claims where the PCC's claims handlers have advised there is a high probability of economic benefits being transferred.

The PCC has a Budget Equalisation Reserve of £11.8m (Balance as at 31/03/25) to support annual expenditure and manage the financial risks of major incidents (this is in addition to the General Fund Reserve of £5.9m).

Governance: The risk of liabilities crystallising and requiring payment is monitored by corporate finance and reported in the quarterly Budget Monitoring Report presented to the Corporate Governance Board (CGB), if appropriate.

- Further details on liabilities are on pages 45 to 46 of 2024/25 statement of accounts (draft).

Revenue Budget Implications

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. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax and core government grants.

Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

	2024/25 actual	2025/26 forecast	2026/27 budget	2027/28 budget	2028/29 budget
Financing costs (£m)	5.9	5.6	5.4	6.2	7.0
Proportion of net revenue stream	2.4%	2.2%	2.0%	2.2%	2.4%

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 25 years into the future.

Proposed Capital Programme

A summary of the proposed Capital Programme for 2026/27 is shown in the table below.

Proposed Capital Programme 2026/27			
Expenditure	£000	Funding	£000
Property	3,980	Borrowing Requirement	8,871
Information Technology	3,426	Revenue Contributions	100
Vehicle Fleet	1,080	Government Grant	-
Operational Equipment	975	3 rd Party Contributions	750
Corporate Projects	260		
 Total	 9,721	 Total	 9,721

The detailed 4-year Capital Programme can be found at **Annex 1A**

Estates Programme

The 'Estates' programme is based on the approved Estates Strategy and includes:

- Refurbish and expand the electrical infrastructure at FHQ. A provisional sum of £2m has been included for 2026/27 to complete the project. However, the actual costs will not be known until the design phase is complete.
- Replacement of flat roofs at various locations and speed gates at Euston Street
- Structural works to the Hinckley Police Station car park
- The purchase of land at Coalville for a new LPU, based on predicted housing growth, it is hoped that this will be funded S106 contributions.
- Installation of air-conditioning to the dog kennels to meet the animal welfare standards under the Animal Welfare Act 2006
- Creation / installation of a Fire escape door in the Firing range – a fire risk assessment has identified that there are insufficient fire escape doors in the firing range.
- Alterations to the drains at various sites to ensure the run-off from car washing goes into the foul drains. The Force may be currently breaching the Environmental Protection Act 1990 and Environment Act 2021.
- Replacement of the redundant roller racking with safer fixed option to provide effective storage of uniform stock.
- Development of the vulnerability wing at Keyham Lane custody to meet national good practice for vulnerable detainees.

Annex 1B provides more detail regarding the individual schemes.

IT programme

The 'IT' programme is based on the approved Digital, Data and Technology strategy which includes the following schemes :

- Investment in the data network to ensure continued performance.
- An upgrade to the Regional Digital Interview Recording (DIR) hardware. The cost of the upgrade will be split with Northants although the split between the 2 Forces has not yet been agreed. For the purposes of the initial capital programme a 50:50 split has been assumed. This has been slipped from 25/26
- Purchase of 800 K6 Body Worn Video devices to replace our aging fleet of cameras. The new cameras have enhanced capabilities allowing the Force to take advantage of new features such as facial recognition and wireless uploads.
- The ongoing replacement of the smartphone fleet to maintain security, performance and availability. Google will only maintain security fixes for our fleet for 2-years requiring the 5-year programme to be revised for a 2-year replacement cycle. The budget allows for the replacement of 1,500 phones and 100 tablets for use within specialist teams.
- The continuation of investment in the personal computer estate to support agile working. The 2025/26 budget will provide the Force with 1177x Laptops to replace an aging estate which will not be compatible with the latest operating systems and security updates.
- Provision to enhance the Open Scape Contact Centre and OpenScape 4000 telephony system operated by Contact Management and Assessment Investigation Unit to meet operational requirements.
- Replacement / upgrade of the portable ICCS operator positions to ensure compatibility with 'Windows 11'.
- Provision for the replacement of airwave terminals that are beyond economic repair.

- Provision of Laptop lockers to improve support out of hours. This has now been moved to 2027/28.
- The replacement of the confidential network hardware, to reduce future licensing costs.
- Replacement of the 'Redbox' call recording system following the withdrawal of the supplier from the Emergency Services control room environment. This is a key risk for the Force. This is a provisional sum as the delivery model for the future replacement is still being determined. If it goes to a cloud solution, it is unlikely that the capital budget will be required.
- SAN storage it may be necessary to purchase additional storage during 2026/27.

Annex 1C provides more detail regarding each of the work streams.

Vehicle replacement

The fleet replacement programme is based on the approved Transport Strategy. A sum of £1.1m is included for 2025/26 for 28 vehicle replacements. The cost of vehicle replacements below the insurance threshold as a result of accidents are also included.

Corporate Projects

Corporate Projects include:

- Provision for the rolling programme of Automatic Number Plate Recognition (ANPR) Camera replacements and new back office software.
- Provision for the complete replacement of the custody CCTV system / software which is now end of life
- Leicestershire's share of the capital investment for assets provided through regional collaboration.

Knowledge and Skills

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

Where staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The PCC currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the PCC / Force has access to knowledge and skills commensurate with its risk appetite.

Background Papers

Home Office Settlement Notification via the Home Office website.



TREASURY MANAGEMENT – INVESTMENT STRATEGY

Revised January 2026.

1. Introduction

- 1.1. Treasury Management is defined as the management of the Police and Crime Commissioner's (PCC) investments and cash flows, banking and financing of capital expenditure; the effective control of the risks associated with those activities, balanced against the relative performance.
- 1.2. A key activity of Treasury Management is to ensure that the cash flow is adequately planned, with cash being available when it is needed. Any surplus treasury management funds should be invested in low risk counterparties in line with the strategy of providing security of the capital and sufficient liquidity before investment return.
- 1.3. Capital financing decisions provide a guide to the borrowing need of the PCC. In essence, this involves longer term cash flow planning to ensure that capital spending obligations can be met. The management of the longer term cash balances may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasions any current loans may be restructured to meet the PCC's risk or cost objectives.

2. Statutory Requirements

- 2.1. The 'Code of Treasury Management' published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and recommended by the Home Office, has been adopted by the Office of the Police and Crime Commissioner for Leicestershire ("the OPCC").
- 2.2. In 2018 CIPFA revised the Code and the Prudential Code for Capital Finance, the key changes being:
 - The definition of 'Investments' in the revised TM Code now covers all the financial assets of the organisation, as well as other non-financial assets which the PCC may hold primarily for financial returns, such as investment property portfolios.

This may therefore include investments which are not managed as part of normal treasury management or under treasury management delegations.

- A revised TM Code covers investments made for reasons other than treasury management with the requirement that these are proportional to the resources available and that the same robust procedures for the consideration of risk and return are applied to these investments.
 - The Prudential Code, which also applies to police and fire authorities, recommends that a Capital Strategy is produced giving 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.
- 2.3. In addition, the Ministry of Housing, Communities and Local Government (MHCLG) issued revised guidance on Local Authority investments in February 2018 that requires the PCC to approve an investment strategy before the start of each financial year. Investments now include all the financial assets and those non-financial assets held primarily or partially to generate a profit, including investment property and loans to subsidiaries and third parties.
- 2.4. This report fulfils the OPCC's legal obligations under the Local Government Act 2003 to have regard to both the CIPFA Code and MHCLG guidance in relation to treasury activity.
- 2.5. The Treasury Management Strategy is approved annually to run from 1st April to the following 31st March but can be revised at any time during the year.
- 2.6. The Local Government Act 2003 included capital regulations that applied from 1st April 2004. These regulations allow the OPCC freedom to borrow to fund capital expenditure provided it has plans that are affordable, prudent and sustainable. The requirements are covered in the Prudential Code.

3. Treasury Management Strategy

- 3.1. The OPCC has potentially large exposure to financial risks including the loss of invested funds and the effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the OPCC's Treasury Management Strategy.
- 3.2. The core aim of the Treasury Management Strategy is to have an appropriate balance of borrowing and investments, in keeping with the principles of affordability and prudence and maintaining longer-term stability. The OPCC's objective when investing money 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.
- 3.3. The OPCC has appointed Arlingclose as treasury management advisers to provide specific borrowing and investment advice as well as capital financing, technical and accounting advice.
- 3.4. The influence of the government's 2025 Autumn Budget, lower short-term interest rates alongside higher medium and longer term rates, slower economic growth,

together with ongoing uncertainties around global economy, stock market sentiment and geopolitical issues will be the most significant impact on the Authority's treasury management strategy for 2026/27.

- 3.5. The Bank of England's Monetary Policy Committee (MPC) cut Bank Rate to 3.75% in December 2025, as expected. The vote to cut was 5-4, with the minority instead favouring holding rates at 4.0%. Those members wanting a cut judged that disinflation was established while those preferring to hold Bank Rate argued that inflation risks remained sufficiently material to leave rates untouched at this stage.
- 3.6. Figures from the Office for National Statistics showed that the UK economy expanded by 0.1% in the third quarter of the calendar year, this was unrevised from the initial estimate. The most recent Monetary Policy Report (November) projected modest economic growth, with GDP expected to rise by 0.2% in the final calendar quarter of 2025. Annual growth is forecast to ease from 1.4% before improving again later, reflecting the delayed effects of lower interest rates, looser monetary conditions, stronger global activity, and higher consumer spending. The view of modest economic growth going forward was echoed by the Office for Budget Responsibility in its Economic and fiscal outlook published in line with the Autumn Statement which revised down its estimate of annual real GDP to around 1.5% on average between 2025 and 2030.
- 3.7. CPI inflation was 3.2% in November 2025, down from 3.6% in the previous month and below the 3.5% expected. Core CPI eased to 3.2% from 3.4%, contrary to forecasts of remaining at 3.6%. Looking forward, the MPC continues to expect inflation to fall, to around 3% in calendar Q1 2026, before steadily returning to the 2% target by late 2026 or early 2027.
- 3.8. The Authority's treasury management adviser Arlingclose currently forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate in 2026, reaching around 3.25%. This forecast reflects amendments made following the Autumn Budget and an assessment of the fiscal measures and their market implications, and following the BoE MPC meeting held on 18th December.
- 3.9. Arlingclose expects long-term gilt yields, and therefore interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance. Short-term fluctuations are expected to persist in response to economic data releases and geopolitical developments.

Managing daily cash balances and investing surpluses

- 3.10. In order that the OPCC can maximise income earned from investments, the target for the uninvested overnight balance in the current account is a maximum of £15,000.
- 3.11. At any one time, the OPCC has between £10m and £59m (depending on the cash flow) available to invest. This represents income received in advance of expenditure plus balances and reserves.

- 3.12. Currently most of the PCC's surplus cash is invested in short term unsecured bank deposits and money market accounts.

Credit Rating Agencies

- 3.13. There are three main credit rating agencies that provide a view on the credit worthiness and security of financial institutions.

- 3.14. The three credit rating agencies are:

- Fitch
- Standard and Poor's
- Moody's.

Their range of ratings for financial institutions are as follows:

Credit Rating Agency	Highest long-term investment grade rating	Lowest long-term investment grade Rating
Fitch	AAA	BBB-
Standard and Poor's	AAA	BBB-
Moody's	Aaa	Baa3

- 3.15. We have employed the services of Treasury Management Advisers Arlingclose who monitor, on a continual basis, the ratings provided to financial institutions and indeed countries where those institutions are based.

- 3.16. They provide this information on a regular basis and alert clients if there are changes to any of the ratings as well as tailoring their advice based on other information they have at their disposal and further checks that they carry out.

- 3.17. Before making investments the current ratings of the financial institution where the investment is to be made will be checked to ensure that they are within the limits set within this Treasury Management Strategy.

- 3.18. Security of investment remains the priority ahead of investment returns.

Revised Credit Ratings

- 3.19. The OPCC defines "high credit quality" as those organisations and securities having a credit rating of:

- A- or higher that are domiciled in the UK
 - A- or higher that are domiciled in a foreign country with a sovereign rating of AA+
 - A- or higher for Money Market Funds

3.20. The limits set out above will ensure that investments can be made in more financial institutions but security of investment is not compromised.

3.21. This Treasury Management Strategy also seeks to broaden the investment instruments that can be used. The following investment instruments can be used when investments are made:

Unsecured Bank Deposits

3.22. This includes investments in call and notice accounts, deposits, certificates of deposit and senior unsecured bonds with UK and non-UK banks and UK building societies with high credit quality as defined above.

3.23. These investments are nevertheless subject to the risk of credit loss via a “bail-in” should the regulator determine that the bank is failing or likely to fail. The counterparty list is determined by the treasury advisor based on various criteria including, but not limited to, credit ratings and other credit metrics, as well as research.

3.24. Investment limits will be set by reference to the lowest published long-term credit rating from the major rating agencies (Fitch, Moody’s or Standard & Poor’s). Investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered. Information on all of the credit ratings is clearly summarised by Arlingclose which sets out the institutions that can be invested in according to the set criteria.

Secured Bank Deposits

3.25. Investments are secured on the bank’s assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in.

3.26. These are ‘designated investments’ which can be transacted by Professional Clients under MiFID II. As at March 2019 we have been re-classified as a professional client and therefore these instruments have become available.

Government

3.27. This will include loans to and bonds/bills issued by or guaranteed by national governments, regional and Local Authorities and multilateral development banks. These investments are not subject to bail-in risk. Bonds and bills are also a designated investment tool and therefore can only be used if we are re-classified as a professional client.

3.28. Investments in non-UK national Governments will be subject to them having a minimum sovereign rating of AA+.

3.29. Investments with the UK Central Government may be made in unlimited amounts for up to 10 years. The UK’s Debt Management Office currently takes loans for periods up to 6 months.

3.30. A very small number of Local Authorities are credit rated and their long-term ratings range from AA to A+.

- 3.31. The security for loans to UK Local Authorities stems from the local government finance framework, creditor protections and likelihood of central government support (or intervention for those facing particular budgetary challenges).
- 3.32. Loan principal along with any interest due is charged on the revenues of the borrowing authority. All loans rank equally including those from the PWLB, banks and other Local Authorities, without any priority.
- 3.33. No investments will be made to a Local Authority where a S114 Notice has been issued and is still in operation.

Pooled Funds

- 3.34. Collective investment schemes, generally referred to as pooled funds, have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee.
- 3.35. Short-term Money Market Funds (MMFs) that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts.
- 3.36. Pooled funds whose values change with market prices and/or have a notice period will be used for longer investment periods for that element of the OPCC's funds which can be invested for periods in excess of 12 months. Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term.
- 3.37. These allow diversification into asset classes other than cash without the need to own and manage the underlying investments. The risk and reward characteristics of these funds and their appropriateness for the OPCC's investment portfolio and time frames will be carefully considered in conjunction with advice from the treasury advisor.
- 3.38. The funds' performance and continued suitability in meeting the investment objectives will also be monitored regularly.
- 3.39. Pooled funds will only be utilised following specific advice from the OPCC's Treasury Advisers and after consultation with the OPCC's S151 officer and the Chief Constable's S151 officer.
- 3.40. Some of these funds can only be transacted by 'Professional' clients under MiFID II. As a professional client we would be able to use some of these funds.
- 3.41. In the event that cash balances are available for more than one year, the OPCC will seek 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. Pooled funds can help towards achieving this aim.

Risk Assessment and Credit Ratings

- 3.42. Credit ratings are obtained and monitored by the Commissioner's treasury advisers, who will notify the OPCC and the Force finance team of ratings and changes as they occur.
- 3.43. Where an entity has its credit rating downgraded so that it fails to meet the OPCC's approved investment criteria then:
- no new investments will be made in that entity
 - any existing investments that can be recalled or sold at no cost will be
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 3.44. In these circumstances advice will be sought from the treasury advisers and the OPCC/Force's S151 officer will be consulted with regard to the next steps to be taken.

Summary of Amounts and Durations of Investments

Credit rating	Banks/Building Societies unsecured	Banks/Building Societies secured	Government including LAs
UK Govt	n/a	n/a	£ Unlimited 10 years
AAA, AA+, AA, AA-	£3m 3 years	£3m 4 years	£3m 5 years
A+	£3m 2 years	£3m 3 years	£3m 3 years
A	£3m 13 months	£3m 2 years	£3m 2 years
A-	£3m 6 months	£3m 3 months	£3m 13 months
None	£1m 6 months ¹	n/a	£3m 13 months ²
Pooled funds	£3m per fund		

Note: The durations highlighted in the table are maximum durations for investments. However, the recommended durations will vary on a regular basis depending on what is happening in the market. These recommended durations are contained within the regular credit rating updates provided by Arlingclose and will be used for the day to dealings.

Other information on the security of investments

- 3.45. The OPCC understands that credit ratings are good, but not perfect, indicators of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including

¹ Some Building Societies do not apply for a credit rating. However, in the opinion of our Treasury Advisers they are as secure as the A- rated banks. Strictly speaking they are an unrated, nevertheless we may wish to consider investing some of our funds with them. These are the only investments in unrated financial institutions that will be authorised.

² Most Local Authorities are included in this category as they do not have an official rating but are seen as a secure investment option. Authorities subject to a S114 notice will not be invested in.

credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

- 3.46. The OPCC and Force finance team will rely upon the treasury management advisers to highlight and communicate emerging issues on counterparties as a matter of urgency.

Investment Limits

- 3.47. The OPCC's General Fund revenue reserves available to cover investment losses were £5.86 million on 31st March 2025. In order that available reserves are not put at risk in the case of a single default and taking into account the in-year level of cash balances, the maximum that will be lent to any one organisation (other than the UK Government) will be £3 million.
- 3.48. A group of banks under the same ownership will be treated as a single organisation for limit purposes.
- 3.49. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Borrowing

- 3.50. The OPCC currently holds a £13.4m loan with the Public Works Loans Board (PWLB).
- 3.51. Capital expenditure forecasts show that the PCC expects to borrow up to £4.5m over the remainder of 2025/26.
- 3.52. The main objective when borrowing funds is to strike a balance between securing low interest costs and achieving certainty of those costs over the period for which the funds are required.
- 3.53. The strategy continues to address the key issues of affordability. Short-term interest rates are currently higher than in the recent past, but are expected to fall in the coming year and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead.
- 3.54. By borrowing internally, the OPCC is able to reduce net borrowing costs (despite forgone investment income) and reduce overall treasury risk. The benefits of internal versus external borrowing will continue to be monitored.
- 3.55. In addition, the OPCC may borrow short term loans to cover unplanned cash flow shortages.
- 3.56. The recommended sources of long-term and short-term borrowing are:
 - Public Works Loan Board (PWLB) and any successor body

- UK Local Authorities
 - Any bank or building society authorised to operate in the UK.
- 3.57. Whilst the OPCC has previously raised all of its long term borrowing from the PWLB other options will be explored at the point of borrowing to ensure that the most favourable rates and terms are secured.
- 3.58. Short term and variable rate loans can leave the OPCC exposed to the risk of short term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the Treasury Management Indicators.
- 3.59. Arlingclose will assist the PCC with borrowing analysis. Its output may determine whether or not the PCC borrows additional sums at long-term fixed rates in 2026/27 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 3.60. The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current redemption rates determined by the PWLB. These often lead to high premium costs on premature redemption. The OPCC and its treasury advisers will nevertheless keep the loan portfolio under review during the remainder of 2025/26 and throughout 2026/27 to see whether a saving could be achieved on the overall interest costs.
- 3.61. The PCC will not borrow more than or in advance of its needs purely in order to profit from the investment of extra sums borrowed. Any decision to borrow in advance will be within the forward approved Capital Financing Requirement estimates and will be considered carefully to ensure value for money can be demonstrated and the PCC can ensure the security of such funds.

4. Latest Position regarding Treasury Management

- 4.1. The banking sector continues to show signs of instability alongside the wider economy. Exposure to individual institutions will be diversified by counterparty and also through the use of Money Market Funds (where appropriate) in which the underlying investments are very highly spread and also very liquid. This is in keeping with the OPCC's stated aim of protecting the principal (cash) amount.
- 4.2. Funds are placed with institutions based on (a) available headroom and (b) rate of return – this is a daily decision-making process. A balance is struck between the desired level of return and the need to provide liquid funds to meet the OPCC's obligations i.e. supplier payments, payroll costs and tax liabilities.
- 4.3. Continued monitoring of institutions' credit ratings and other credit metrics takes place and is reported to the Corporate Governance Board throughout the year via the "Treasury Management Performance" report.
- 4.4. The Bank of England has decreased the bank rate to 3.75%, with our financial advisors forecasting that it will continue to reduce throughout 2026. Arlingclose forecast that rates will fall to 3.25% by the end of 2026/27. Future policy rates are not, however, guaranteed and a lot hinges on the economy's strength and the inflation outlook.

- 4.5. On this basis the investment income budget rate has been set at £1,200,000 for 2026/27.

<u>Financial Year</u>	<u>Interest Income</u>	<u>Comments</u>
2021/22	£0.01m	Actual
2022/23	£0.25m	Actual
2023/24	£1.43m	Actual
2024/25	£1.45m	Actual
2025/26	£1.24m	Forecast
2026/27	£1.20m	Budget

- 4.6. Given the continued uncertainty in the economy an ongoing review of the Treasury Management Strategy will be undertaken during 2026/27 to review whether there are other investment options available.

5. Borrowing Limits

- 5.1. In accordance with the Prudential Code it is a requirement that the OPCC set borrowing limits for the next three years and upper limits on fixed and variable interest rate exposures. These limits are intended to reduce risk. It is proposed that the limits should be as follows:

		2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
(i)	Total authorised borrowing limit*	36.2	35.4	36.1	33.2
(ii)	Long term liabilities	2.5	2.5	2.5	2.5

*includes headroom for short term borrowing - £1m for each year

- 5.2. The interest rate risk indicator is set to control the OPCC's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rate will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£14,118
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£(14,118)

The impact of change in interest rates calculated on the assumption that maturing loans and investments will be replaced at current rates.

- 5.3. The Prudential Code also recommends that the Police and Crime Commissioner sets upper and lower limits for all of its borrowing to control exposure to refinancing risk. The following limits are proposed:-

	Upper Limit	Lower Limit
Under 12 months	60%	0%
Between 12 months and 24 months	50%	0%
Between 24 months and 5 years	75%	0%
Between 5 years and 10 years	90%	0%
Between 10 years and 15 years	100%	0%
Over 15 years	100%	0%

- 5.4. The purpose of the upper and lower limit is to make sure that the debt portfolio is diversified appropriately over different durations to ensure that not too much borrowing is maturing at the same time and therefore subject to market conditions at the point of maturity.

6. Principal sums invested for long periods longer than 364 days

- 6.1. The purpose of this indicator is to control the exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2025/26	2026/27	2027/28
Limit on principal invested beyond year end	£2m	£2m	£2m

7. Changes to the Treasury Management Strategy

- 7.1. The Treasury Management Strategy can be amended in year by the S.151 officer of the OPCC who will have consulted with the Police and Crime Commissioner and the Force's ACO (Resources) prior to making any changes. Any changes will be the subject of a formal decision record.