

MEETINGS: Police & Crime Panel	DATE: 4th February 2025	
DEPARTMENT: PCC's Office - Finance	AUTHORS: Paul Butler – PCC CFO	
NAME OF PAPER: 2025/26 Proposed Budget Requirement and Precept Proposal		

SUMMARY

This report builds on the Budget Update presented to Panel on 10th December 2024 which set out revenue and capital plans and discussed the development of the income and expenditure position. The Medium-Term Financial Plan (MTFP) provides the financial outlook, context, and resourcing principles for the annual budget setting process. It outlines, in broad terms, the specific service and funding issues over the 5-year period and how the PCC will, within these financial constraints, fund priorities and ensure financial sustainability and resilience.

The MTFP is presented in the context of increased performance expectations arising from the national police officer uplift programme, the government's policing reform programme and the PCC's Police and Crime Plan and the need to respond to these in the challenging financial realities facing policing and the public sector.

Last year Avon and Somerset achieved our agreed uplift target of 456 additional officers, taking our target officer headcount to 3,291, but also was able to recruit and maintain an additional 40 officers to support the national target. This year we are again contributing additional officers alongside those enabled through the precept increase. For 2025/26 we will therefore maintain a headcount target of 3,351.

The PCC's proposal is for a precept of £177.638m, which equates to a **council tax Band D of £293.20**. This is an increase of £14 (5.0%) in the Band D equivalent for the police element of the council tax for the 2025/26 financial year. The council tax precept will be apportioned to each collecting authority according to the following table:

	Tax Base (No.)	Precept £'000	%
Bath and North East Somerset	70,973	19,603	11.7%
City of Bristol	136,010	37,566	22.4%
North Somerset	82,760	22,858	13.7%
Somerset	212,484	58,688	35.1%
South Gloucestershire	103,631	28,623	17.1%
TOTAL	605,858	167,388	100.0%

The council tax precept shown in the above table is generated by the following amounts of council tax for the various bands:

Council Tax Band	£p	% of Properties
A	£195.47	17.2%
B	£228.04	28.4%
C	£260.62	22.0%
D	£293.20	14.6%
E	£358.36	9.8%
F	£423.51	5.2%
G	£488.67	2.7%
H	£586.40	0.2%

BACKGROUND

This is the first budget set by the PCC since her election in May 2024. It has been developed in collaboration between the Office of the PCC and the Constabulary.

Although precepting authorities should have provided their information in respect of council tax surpluses and tax base by 12th January, at the time of writing, some confirmation of numbers remains outstanding. As a consequence, the MTFP income figures may change slightly once final figures are confirmed.

National Context

On 28th November 2024 the Government published their Local government finance policy statement 2025 to 2026 which included confirmation for PCCs to increase the average band D council tax by up to £14 for 2025/26. In common with the approach in recent years, the government funding announcement for policing “assumes PCCs make use of the full precept flexibility of £14 for English forces”.

The provisional police funding settlement for 2025/26 was then published on 17th December 2024.

In announcing this settlement, the Home Secretary confirmed maintenance of officer numbers, the focus on neighbourhood policing and visibility in the community. She also confirmed that forces that had voluntarily recruited additional officers through Home Office additional recruitment schemes would be expected to maintain their share of these officers. In reiterating the £14 precept level, the Home Secretary stated that she saw this as a balance between local and national funding, but also emphasised the need to continue to maximise the delivery of improvements in productivity and efficiencies, with forces required to participate in a Commercial Efficiencies and Collaboration Programme. The initial focus of this will be on forces signing up to national approaches to buying energy, vehicles, fuel, temporary staff and software licenses. The Policing Productivity Review will continue to target bureaucracy, with the goal to free up officer time for redeployment onto the frontline and improve outcomes.

The overall funding package includes:

- 6% average increase in funding – including precept and National Insurance compensation.
- 3.7% increase in core grant.
- £986.9m increase in funding between 2024-25 and 2025-26, of which £329.8 (33%) will come from precept.

COUNCIL TAX CONSIDERATIONS

The MTFP reflects an **increase in council tax of £14 (5%) in 2025/26**. The decision to increase the precept by £14 is reflective of:

- The clear funding policy of successive governments that assumes the full precept flexibility will be taken in order to deliver their intended funding model. This level of funding still leaves a gap that requires ongoing savings and efficiencies as part of the strategy.
- The Chief Constable's letter which highlights the demands on policing against a core grant increase which is less than the full year effect of last September's pay award, leaving the balance and other inflationary pressures to be funded by precept. The combined grant and precept funding planned for 2025/26 necessitates a further £6.4m savings to deliver a balanced budget for the year.
- The need to deliver improved performance in key areas including those in the new government's plans, the PCC's Police and Crime Plan, and the areas identified by HMICFRS as areas for improvement.
- The views of the public, as expressed through a range of public engagement activity, analysis of which is provided to the Panel in an additional paper.
- The recognition of the continuing shift of the balance of funding away from government grant and towards local Council Tax payers.

The impact on the average band D equivalent of the £14 precept recommendation and assumptions over the course of the MTFP period is as follows:

	Current	Forecast				
	24/25 £p	25/26 £p	26/27 £p	27/28 £p	28/29 £p	29/30 £p
Av. Band D Precept	£279.20p	£293.20p	£303.20p	£313.20p	£319.46p	£325.85p
Annual Increase %		+5.0%	+3.4%	+3.3%	+2.0%	+2.0%
Annual Increase £		+£14.00p	+£10.00p	+£10.00p	+£6.26p	+£6.39p

The majority of our households are in lower council tax bands than Band D (68% within Bands A to C) and will have a smaller increase than the headline £14 per year. Nevertheless, the PCC is mindful that this represents a further ask of our residents.

REVENUE PLAN HEADLINES

Our MTFP forecasts the following position:

	<i>Current</i>	MTFP Forecast				
	24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000	28/29 £'000	29/30 £'000
Budget requirement	391,103	417,458	434,784	447,558	459,191	470,119
Less; Total funding	- 391,103	- 411,029	- 419,681	- 430,209	- 438,582	- 447,174
(Surplus)/Deficit before savings		6,429	15,103	17,349	20,608	22,946
Less; New savings		-6,429	-11,164	-12,313	-12,322	-12,383
(Surplus)/Deficit after savings		-	3,939	5,036	8,287	10,563

The key assumptions for **revenue funding** that underpin this forecast include:

- Total funding is **forecast to be £411.0m in 2025/26**, the equivalent of £232.82 per head of population. This forecast reflects an increase of £19.9m/5.1% on the prior year
- Confirmed increases to **core revenue grant funding of +£7.8m in 2025/26** and beyond that we have assumed 1% p.a.
- Increases in **council tax funding +£12.1m in 2025/26** rising to an increase of +£39.4m by 2029/30, which is achieved through both increases to the precept and movements in tax base in line with forecasts being made across our local authorities.

The key assumptions for **revenue expenditure** that underpin this forecast include:

- **Officer and staff pay** assumptions incorporate the full year effect of the 2024/25 pay award, increasing the budget by £14.8m. The budget also assumes a pay award of 2.8% from September 2025 in line with the government's recommendation to the independent pay review boards. In 2026/27 an increase of 2.5% p.a. is forecasted and thereafter the plan assumes a 2.0% pay award, increasing overall costs to £31.3m by 2029/30.
- **Neighbourhood policing guarantee** is intended to add a mix of 13,000 additional officers, PCSOs and Special Constables to national neighbourhood policing. Funding for this in 2025/26 has been allocated using the Police Funding Formula which will deliver £2.3m of funding to ASP. Pending details of the specific expectations for our force, the budget assumes matched expenditure of £2.3m.
- Increases to **National Insurance contribution levels** from 13.8% to 15.0% and a decrease to the NI secondary threshold from £9,100 per year to £5,000 are included in the MTFP and are offset by additional funding within the funding settlement which has been allocated to forces based on headcount.
- In order to maintain their commitment to the national **Uplift** targets the government is continuing to provide ring-fenced grant to those forces who are maintaining levels above base. This will require the force to maintain a headcount 3,351 throughout the year, 60 above our original uplift baseline of 3,291.
- **Officer maturity costs.** Through uplift and the increased proportion of 'young-in-service' officers and officers in training, we have been benefitting from a reduced average cost of an officer in our budgets. With the maturing workforce, from 2025/26 we need to

recognise an increase in this average cost. These adjustments total £0.8m in 2025/26 and increase to £2.8m in 2029/30.

- **Overtime.** Overtime budgets have grown both due to operational demand and due to management of officer abstractions for training as part of uplift growth. This is a key area of scrutiny and management. However, we have acknowledged that we need to recognise an element of this pressure and demand within the budget and have therefore provided £2m against this budget heading (£1.6m officers, £0.4m staff).
- The **injury pensions** forecast has been increased by £0.5m to recognise the cost of new officer retirements on medical grounds with injury awards, as well as inflation increases for existing injury awards. These indexed linked costs are forecast to add £0.5m in costs over the MTFP period.
- Inflationary increases to **non-pay costs** add **+£22.4m** by the end of the plan. These reflect both general inflation and specific and mandated increases, with general underlying economic inflationary pressures affecting areas such as utilities, transport costs, insurances etc. The recent increases announced in respect of the National Minimum Wage and National Insurance will inevitably create further pressure on wage driven supplies and services.
- Policing is subject to areas of **specific inflation**, including national I.T. contracts (21%), National Police Air Service (9.5% in the South West) and the costs of kennelling associated with the change in the law relating to XL Bully dogs (£600k for Avon & Somerset). We have also recognised budget increases associated with enhanced accreditation requirements for Sexual Assault Referral Centres and in respect of Forensics.
- Increases in the costs of **partnerships**, are primarily related to pay award and National Insurance increases. This adds £5.3m by 2029/30. The deferred prosecution model, initially launched with funding from reserves, represents growth of £400k.
- Our net increase across **income** budgets of £1.3m includes an assumed share of DEFRA funding to contribute to increased kennelling costs (£400k) and also recognises a reduction in the Speed Enforcement budgeted income of £0.7m. This reduction represents a more realistic assessment of future fines, court services and roadworks activity.

SAVINGS

The need to deliver savings and efficiencies is a common one across the public sector. ASP have delivered £100m of savings since 2010 and the need to continue to identify significant economies will persist across this MTFP. Current identified savings plans have enabled us to produce a balanced budget for 2025/26, but leave budget gaps across subsequent years which will need to be closed by further savings:

	Forecast				
	25/26 £'000	26/27 £'000	27/28 £'000	28/29 £'000	29/30 £'000
Standstill Deficit	6,429	15,103	17,349	20,608	22,946
Officer Pay and Allowances savings	-65	-81	-81	-81	-81
PCSO Pay and Allowances savings	-285	-285	-285	-285	-285
Staff Pay and Allowances savings	-3,238	-5,775	-6,711	-6,711	-6,711
Other Pay and Pensions savings	-215	-215	-215	-215	-215
Premises cost savings	-59	-594	-786	-815	-877
Transport cost savings	-309	-309	-309	-309	-309
Supplies and service cost savings	-2,039	-3,696	-3,696	-3,696	-3,696
Partnership cost savings	-219	-209	-230	-209	-209
Revised Surplus/Deficit	-	3,939	5,036	8,287	10,563

The detail behind these figures is included within the full MTFP.

As can be seen from the Revised Surplus/Deficit line, the residual savings requirement grows across the term of the plan. The scale of these savings is such that further headcount reduction will be necessary, beyond those that have already been identified. Our continuous review processes will help to identify areas of focus and we are confident that the rapid development of technology, including A.I., will help to deliver some of the requirement, particularly within enabling and support services. However, we do not underestimate the scale of the challenge and the potential impact on services and our people. Nevertheless, we remain committed to delivering continuous improvement in policing and to delivering the Police and Crime Plan and on the government's priorities.

CAPITAL PLAN

The draft capital programme forecasts the following position:-

	Current	MTFP					Total £'000
	24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000	28/29 £'000	29/30 £'000	
	Capital Expenditure	22,144	29,904	30,922	19,454	12,795	
Less; Capital Funding	(22,144)	(29,904)	(29,031)	(9,766)	(9,090)	(9,359)	(109,294)
Deficit	-	-	1,891	9,688	3,705	3,138	18,423

In summary we are forecasting:

- Total capital expenditure of £127.7m over the next 5 years.
- Total capital funding of £109.3m over the same period.

- A resultant shortfall of £18.4m across the term of the MTFP at this point in our planning process.

Some of the key areas of capital investment are:

- **ICT Asset replacement** – the plan includes £14.9m for the ongoing replacement of IT assets, which include both end user devices (e.g. laptops, mobile phones, body worn video cameras) as well as IT infrastructure, including video conferencing facilities.
- **Fleet replacement** – the plan includes £18.3m for the ongoing replacement of our fleet of vehicles, including the continued provision of electric vehicles. The fleet requirement is subject to ongoing review and rationalisation as appropriate.
- **Corporate systems** – the plan includes funds to replace our Enterprise Resource Planning (ERP) system which provides for HR, financial and procurement capabilities (£5.5m over 2 years), and £3.3m in respect of command and control systems.
- **Somerset estate** – the plan includes £12.6m investment, including at Yeovil, Somerton, Crewkerne and Frome.
- **Bristol estate** – this continues the development of Trinity Road police station (Old Market), which has been sold to a social housing developer for re-development incorporating a new neighbourhood police station.
- **BANES estate** – the plan includes the new police station at Plymouth House in Bath as well as a refurbishment of our police station in Radstock.
- **South Gloucestershire estate** - The plan includes refurbishment of Chipping Sodbury police station in 26/27.
- **Other estate** – the plan includes investment in our training and learning estate (£2.0m) and Achieving Best Evidence Suites (£1.1m).
- **Electric Vehicle Infrastructure** – the plan includes £10.3m over the five years for the necessary investment in electric car charging infrastructure.

Our plans will remain subject to ongoing review as programmes develop and in relation to national programmes as the outlook for these becomes clearer.

Our available capital funding is as follows:

	MTFP					Total
	25/26	26/27	27/28	28/29	29/30	
	£'000	£'000	£'000	£'000	£'000	£'000
Specific Purpose Funding	1,317	862	1,263	906	1,659	6,007
Revenue Contribution	8,925	6,787	7,000	7,250	7,500	37,462
General Capital Reserve	8,482	-	-	-	-	8,482
Capital Receipts (Estate)	42	13,455	-	-	-	13,497
Capital Receipts (Other)	200	200	200	200	200	1,000
ESMCP Reserve	-	-	-	734	-	734
New Borrowing	10,938	7,727	1,303	-	-	19,968
TOTAL	29,904	29,031	9,766	9,090	9,359	87,150

The principle we apply when allocating funding in support of the capital plan is that for shorter-life assets, sources of funding other than borrowing will be used. Borrowing is planned to be used only against longer-life assets, where the revenue provision needed to set

aside for the repayment of the borrowing (known as the “Minimum Revenue Provision” or “MRP”) can be taken over a longer timeframe.

Our capital plan currently forecasts a deficit of £18.4m by 2029/30. This is after we have accounted for the costs of financing the introduction of electric vehicle charging infrastructure across our estate (£10.3m) and our costs to implement the national Emergency Services Mobile Communication Programme (£6.0m) that will replace Airwave radios. Both are national requirements that will apply to all police forces and over which we have minimal local discretion. Consequently, these will be prominent considerations within the submission policing will be making as part of the 2025 Spending Review. Policing will be making a strong case for one-off capital funding to support the costs of both these plans.

Whether or not we are successful in securing specific funding in support of these national priorities, we will continue to review our capital plans and the most appropriate approach to funding. We will ensure that over the MTFP we will match capital plans and funding to be affordable, prudent and sustainable.

RESERVES AND MANAGEMENT OF FINANCIAL RISK

Our decisions on reserves are not yet finalised as risks and the financial and economic position are reviewed. Final decisions will be taken before the end of the financial year, but within this context the following plans are being developed:-

- General fund – the general fund risk assessment will be considered by the Governance and Scrutiny Board with a likely recommendation to retain the general balance at £12m reflecting the ongoing levels of risk and uncertainty. The proposed general fund balance represents 2.9% of 25/26 Net Revenue Expenditure.
- Capital funding – in recognition of the forecast deficit we will take the opportunity to review, and where possible, identify opportunities to utilise any available funds to support ongoing capital investment.

As reported in our financial statements at the end of March 2024 the PCC had total usable reserves of £59.7m.

Our MTFP forecasts a gradual reduction in the level of usable reserves reflecting the use of these in support of our capital plans. The forecast shows our usable reserves reducing to a recurring level of £22.2m in the final year of this MTFP.

Our plans recognise a number of **risks** in relation to our financial planning. These include:-

- Pay inflation – pay costs account for c. 80% of our overall budgets, and therefore what happens to pay inflation has a material impact on our future costs. We can already see the impact of pay inflation from the experience of the last year and the challenge of forecasting pay inflation across the MTFP will remain a significant factor. Our current assumption is that pay will increase by 2.8% in 2025/26. The Home Office did not specify the assumption included within the settlement, but 2.8% is the recommendation to the pay review body. We do not know what the government’s approach would be should pay awards be finalised at higher levels.
- Price inflation – we have provided for both general and specific inflation but in the current economic climate the challenge of estimating inflationary pressures will remain at least

for the medium term. We are particularly aware that it will take some time for the effect of recent increases in employer payroll costs to fully crystallise. We will continue to monitor this and will work to mitigate any impact as much as possible and to maintain flexibility within our planning.

- Grant Funding – The government has given some positive indications that they have listened to feedback from policing: Funding to mitigate National Insurance costs is being distributed on the basis of headcount rather than funding formula; also, the neighbourhood policing guarantee will be tailored to the position of each force, rather than an arbitrary universal measure. Nevertheless, we know that the financial challenges facing government, alongside the underlying economic uncertainties, will continue to constrain public expenditure and that public services, including policing, will need to identify savings on an ongoing basis to balance budgets and to deliver programmes of change.
- Funding Formula - Avon and Somerset is underfunded in comparative terms, as against the national average funding per head of population, and more particularly when considering the impact of a major city within our area. However, we recognise that in the current economic and financial climate, there is unlikely to be a revision to the current model that will impact the MTFP position as presented in this paper.
- Capital Plan – is currently forecasting a deficit of £18.4m over the MTFP after using all current existing capital reserves and capital receipts, our annual revenue funding for capital and a planned uplift in borrowing (see above). At this stage in our planning we recognise that we will need to consider opportunities to close this gap through both increasing our capital funding where possible and through refinement of our capital spend plans. While a residual risk remains, we believe this to be manageable across the medium term.
- Neighbourhood Policing Guarantee – The government is committed to increasing the presence of neighbourhood policing through increased numbers of officers, PCSOs and Special Constables. Avon & Somerset has reset PCSO establishment to 230 which is below the level at the time initially proposed as a baseline position. We have yet to hear the outcome of the consultation, but a risk remains around the savings achieved through this route.

EQUALITY ANALYSIS

All business cases in support of change, both with revenue and capital implications are subject to an equality impact assessment. This way we can ensure that those decisions on how we allocate our funding across budgets and plans are cognisant of equality issues.

SUSTAINABILITY

Sustainability is important in regard to ensuring the organisation is living within both its financial limits (financial sustainability) as well as within its environmental limits through ensuring effective and efficient use of natural resources. In fulfilling the objectives in terms of financial sustainability, this report, and our regular quarterly financial reports, ensure we are able to maintain a good overview of our financial sustainability. Wider environmental sustainability considerations are also considered within the budget and capital programme and include the ongoing commitment and investment into the transition of our fleet to electric vehicles (including investment to expand the necessary charging infrastructure to

support this), and investment into initiatives that will continue to reduce our carbon consumption as an organisation.

CONCLUSIONS AND RECOMMENDATION

Section 25 of the Local Government Act 2003 places a duty on the Chief Finance Officer (CFO) to make a report to the PCC on the robustness of the estimates and the adequacy of the reserves.

Reserves and Balances

The PCC's CFO completed a risk assessed review of the general fund reserve which was presented to and discussed at the Governance and Scrutiny Board on 13th February 2024. The result of this was for the general fund reserves to be maintained at £12m, which was 3.1% of our net budget requirement – slightly above the 3.0% minimum which is widely regarded as prudent. The level of this reserve will be reviewed prior to the end of the financial year to ensure that it still appropriate in the light of latest financial information.

Earmarked reserves are forecast to reduce across the medium term, reflecting the forecast utilisation of both capital funding and capital receipts reserves in support of the capital plan outlined. There remains a residual deficit within our capital plan, and it will be necessary to review this over the near term. Opportunities to reduce this deficit through both increases to funding or reductions to cost forecasts will continue to be explored.

Reliability/accuracy of budget estimates

The estimates have been put together by experienced and qualified finance staff in the Force's Finance Department and reviewed by both the Constabulary CFO and the PCC's CFO. There remain risks and uncertainties with many of the assumptions included within this plan, and these have been discussed in this report, particularly in section 7 above.

Some of the risks are more significant than others, however, none on their own are so significant that they could not be managed in isolation. However, collectively they represent an ongoing and escalating build-up of financial pressure on the Constabulary which will need to be closely monitored during the year and through future iterations of the MTFP.

Achievability and risks

The PCC needs to be satisfied that the revenue commitments in future years are affordable, sustainable and deliverable. Furthermore, the PCC has a responsibility to local people to ensure that the approved budget and detailed spending plans will deliver the aims and, priorities set out in his Police and Crime Plan 2024 - 2029.

In common with most public sector organisations achieving a balanced budget and plan requires a robust savings strategy and efficient use of funding. The constabulary has a strong track recorded for developing and implementing savings programmes and has done so here in order to deliver the attached MTFP. This has been achieved in part by accepting the maximum permitted increase in precept for 2025/26 in line with the Government's funding model for policing.

The current forecasts that are generated by our assumptions and proposals indicate the need for further savings across the term of the MTFP. We recognise the challenge of achieving

these savings whilst still delivering improvements in performance as expected by government, the PCC and our communities. However, constabulary have developed coherent savings plans that have delivered balanced forecasts for the coming financial year and have strong processes in place to address the remaining deficits identified within the plan. Nevertheless, on current assumptions, it is clear that the ongoing savings currently required over the next five years will have some impact on the service provided by the police.

The PCC intends to continue to work closely with the Chief Constable and her team to ensure an approach that continues to deliver balanced budgets in future years. This includes maintaining a clear, shared understanding of those budgets over which we can effect change, and utilising the joint scrutiny processes by which these budgets will be reviewed and options for savings brought forward.

The MTFP provides for the maintenance of the increase in officer numbers at our adjusted target level of 3,351 for 2025/26, as well as supporting investment in technology to enable the continued efficiency and productivity of officers and staff.

The MTFP provides for known inflationary pressures and acknowledges the risks in this area. It recognises uncertainties, including those associated with the economy and supply chains and the effect on revenue and capital budgets.

Inevitably there are residual risks, and the reserves held by the PCC are designed to provide a reasonable mitigation of these, enabling future uncertainties to be addressed in a managed and sustainable way.

RECOMMENDATION

It is recommended that the Police and Crime Panel accept and endorse the council tax precept proposal made by the PCC, increasing the council tax of an average band D equivalent dwelling by £14 (5.0%).

Paul Butler
Chief Financial Officer