



RECOMMENDATION REPORT

DECISION: 48/2025	DATE: 20 NOVEMBER 2025
TITLE: FINANCIAL POSITION AS AT 30 SEPTEMBER 2025	
REPORT BY: STEVE FREEMAN	
Executive Summary This report sets out the monitoring position for the 2025/26 revenue and capital budget at 30 September 2025.	
Recommendations The Police and Crime Commissioner is recommended to: <ul style="list-style-type: none">• Note the position on the Police and Crime Commissioner's Revenue budget.• Approve a revised capital investment programme in 2025/26 of £67.888m• Note the position for the capital programme• Note the position in respect of Treasury Management• Note the position on reserves	

1. Background and Advice

1.1. Overview

1.1.1. This report provides the Commissioner with the latest position in respect of the financial health of the organisation. This includes:

- The position for the PCC's revenue budget for 2025/26,
- The capital programme for 2025/26 and future years,
- The position on reserves, and
- A summary of Treasury Management activity for the period.

1.2. Revenue Budget 2025/26

1.2.1. The forecast year-end budget position is:

	Budget £m	Forecast £m	Variance £m %	
Chief Constable:				
Pay costs	322.087	323.445	1.358	0.42%
ACC Territorial Operations	7.285	7.589	0.304	4.17%
ACC Specialist Uniform Operations	5.538	6.092	0.554	10.00%
ACC Crime	4.297	4.848	0.551	12.82%
Chief Operating Officer	36.742	36.692	- 0.050	-0.14%
Deputy Chief Constable	1.494	1.367	- 0.127	-8.50%
Sub total	377.443	380.033	2.590	0.69%
Non-DFM budget	4.860	2.304	- 2.556	-52.59%
Total Constabulary Budget	382.303	382.337	0.034	0.01%
PCC:				
Office of the PCC	1.980	1.991	0.011	0.56%
Communications	0.130	0.130	-	0.00%
Prevention	0.934	0.926	- 0.008	-0.86%
Victim and Domestic Abuse services	0.646	0.646	-	0.00%
Sub total	3.690	3.693	0.003	-0.29%
Non-DFM	5.254	5.251	- 0.003	-0.06%
Total PCC	8.944	8.944	0.000	0.00%
TOTAL BUDGET	391.247	391.281	0.034	0.01%

1.2.2. It is worth specific note that the pay award for Officers and staff has been agreed at 4.2% with effect from 1st September 2025, which is 1.4% above the budgeted provision of 2.8%. A one-off specific grant of £3.053m has been received from the Home Office that mitigates the additional pressure this generates for the budget.

1.2.3. A small overspend of £0.034m (representing 0.01% of the budget) is shown but there are a number of under and overspends that offset each other within this overall position.

1.2.4. The main elements of under and overspending identified are:

	£m	
Cost pressures:		
Pay	1.358	The main pressures on the pay budget are an overspend on the police staff budget with vacancies lower than forecast and the agency staff budget.
Overtime	0.650	There continues to be a pressure on the overtime budget.
Training income	0.298	Resources are focussed on the training of new officers which limits the ability to generate income through courses offered to external forces/organisations
Regional Toxicology	0.599	The ongoing cost of toxicology submissions, which are not covered by the regional toxicology collaboration.
Ill-health pensions	0.330	Compensation payments for injury settlements form part of this cost and are index linked, this pressure reflects the inflationary impact this has on the budget.
Major investigations	0.189	A number of significant ongoing major investigations are putting a pressure on the budget
Contribution to the SARC service	0.200	The cost of the Sexual Assault Referral Centre (SARC) at the Royal Preston Hospital has increased considerably compared to previous years
Officer and staff training	0.627	The provision of mandatory training to Constabulary employees is forecast to exceed the budget significantly
Cost mitigations:		
Impact of Neighbourhood Policing Guarantee grant	-2.800	Specific grant in 2025/26 in respect of Neighbourhood Policing roles
Pension contribution	-1.071	The proactive management of the payment of police staff employer pension contributions has generated a saving against the budget
Additional income	-0.631	Income in respect of specific policing operations

1.3. In setting the 2025/26 budget, savings of £7.424m were identified:

	£m
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Management of vacancies	1.931
Full year effect of prior year savings	1.178
New savings from reviews 2025/26	0.085
'Cash limit' non-pay budgets	1.215
Energy cost – procurement saving	0.600
Reduced cost of Airwave system	0.538
Reduced cost of capital financing	0.404
Reduction to overtime budget	0.390
Reduced cost of telephony	0.195
Increased income for firearm licence renewals	0.100
Departmental savings target	0.788
Total	7.424

1.3.1. These savings are on track to be delivered in full this financial year.

1.4. Capital Programme 2025/26

1.4.1. The revised capital programme of £67.3m for 2025/26 was approved by the Commissioner in agreeing the Quarter 1 financial monitoring report.

1.4.2. In Quarter 2 the following contributions to the programme have been identified:

- Funding from the Lancashire Resilience forum of £0.097m to contribute towards the refurbishment of the Strategic Command Centre building.
- A grant contribution of £0.150m from the Home Office to contribute to the implementation of the Law Enforcement Data Service (LEDS)
- A contribution of £0.295m from Operation Safeguard monies held in reserve to fund the replacement of custody data recorders.

1.4.3. The Commissioner is ***recommended to approve the revised capital programme of £67.888m for 2025/26*** recognising the additional projects identified in 1.4.2.

1.4.4. At 30 September 2025 £30.717m of spend has been committed against this programme (representing 45% of the annual budget):

	Programme £m	Committed £m	Forecast £m
ICT	10.588	6.019	10.588
Estate	50.541	18.872	50.541
Vehicle Replacement	5.598	5.415	5.598
Other schemes	1.161	0.411	1.161
Total	67.888	30.717	67.888

1.4.5. The year-end forecast position will be assessed during quarter 3 and if the 2025/26 programme needs to be revised the Commissioner will be provided with a proposal in the quarter 3 monitoring report.

1.4.6. A total of £6m has been committed against the £10.6m **ICT** capital programme which equates to 57% of the overall programme. This includes £0.6m of network access improvements and £1m of device replacement. A further £4m has been committed against new and replacement systems including £0.7m on Custody CCTV refresh, £0.4m on ABE recorders, £0.3m on HR system improvements, £0.3m for the Control Room system (ICCS), £0.2m body worn video and £0.2m on Pronto (system on hand-held devices) developments. A further £0.5m has been spent on digital innovation including case file preparation, victims code of practice and AI development.

1.4.7. On the **Accommodation Strategy**, £18.9m of expenditure is committed to date with the main expenditure being £14m for the on-going construction of Pendle police station, £2.1m for the CPIP programme and £1m for the redevelopment of the new Chorley Police Station. This equates to 37% of the programme committed to date.

1.4.8. **Other capital schemes** relate to Automatic Number Plate Recognition (ANPR) and other Crime and Ops equipment replacement schemes including the replacement of average speed cameras. Committed expenditure to date is £0.41m, 35% of the annual programme.

1.4.9. The **vehicle replacement programme** faces budget pressure during 2025/26 with 63 vehicles which were due for replacement in 2025/26, being deferred until future years. The Fleet Governance Board will ensure that utilisation of the existing fleet is maximised and will monitor Fleet availability to avoid adverse impact upon operational activity.

1.5. Treasury Management

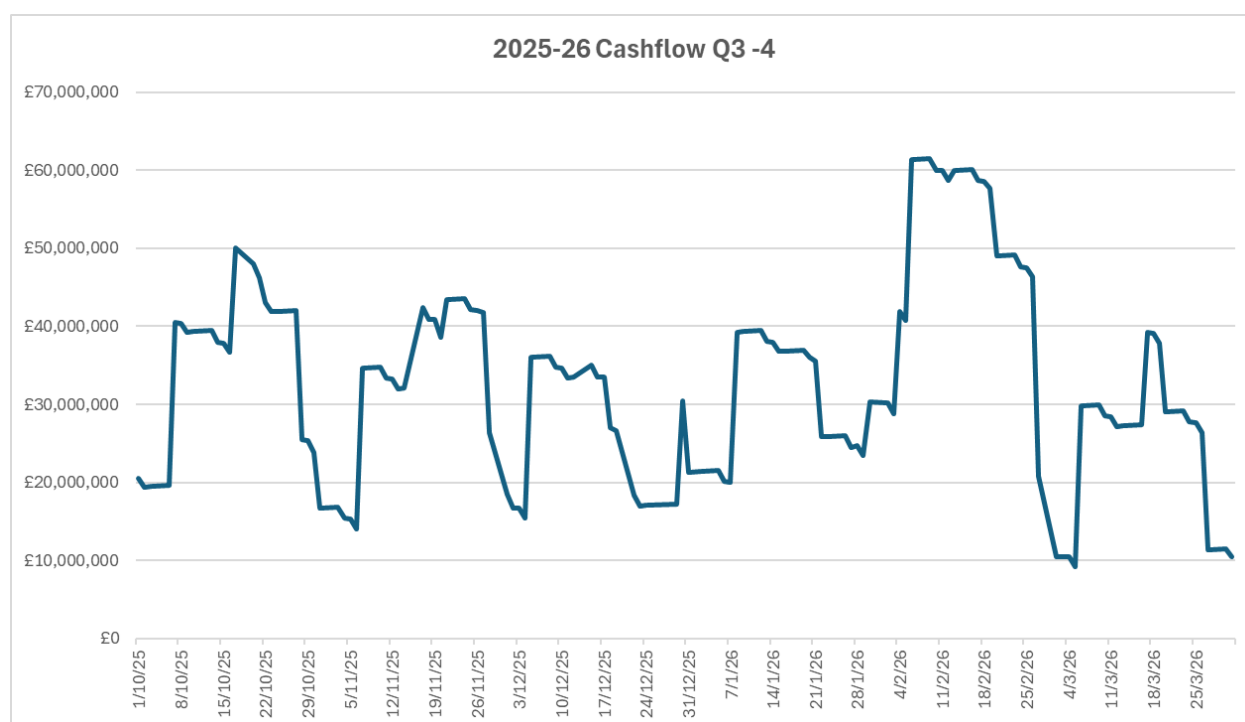
1.5.1. The following chart shows the Treasury Management position as at 30/9/25:

	31.3.25 Balance £m	Movement £m	30.9.25 Balance £m	30.9.25 Rate %
Long- term borrowing - PWLB	42.362	8.562	49.450	1.55% to 4.88%
Short-term borrowing	60.000	-	60.000	4.20% to 5.00%
Total borrowing	100.888	8.562	109.450	
Short-term investments	11.898	62.185	45.000	4.00% to 4.55%
Cash and cash equivalents			29.083	1.7% to 3.95%
Total investments	11.898	62.185	74.083	
Net borrowing	88.990	-53.623	35.367	

1.5.2. The Capital Financing Requirement (CFR) is the underlying need to borrow for historic capital expenditure. The CFR was £95.657m at the beginning of the year and was covered by a mix of long-term and short-term borrowing.

1.5.3. Net borrowing has reduced in quarter 2 due to high cash balances, mainly generated by the receipt of the annual pensions grant in July 2025. The main activity by the Treasury Management team in quarter 2 was short-term investments. At the end of the quarter, interest payable for the year to date was £1.060m, which was offset by interest receivable from investments of £1.015m, giving a net interest cost for the year to date of £0.045m.

1.5.4. The chart below summarizes the forecast cashflow balances as at 30/9/25 which shows a reducing liquidity position, particularly in quarter 4. This is mainly due to forecast capital expenditure for the development of Pendle Police Station and the commencement of the refurbishment of the new Chorley Police Station.



1.5.5. In quarter 3, the department will be commencing long-term borrowing to finance the capital expenditure programme, particularly as the Pendle build nears completion. In addition, the main method of short-term investments will transfer from the Debt Management Office (DMO) to Money Market Funds. The cashflow position will continue to be closely managed to maintain sufficient liquidity to meet obligations as they fall due.

1.6. Reserves

1.6.1. The reserves brought forward at 1/4/2025 are:

	Reserves at 01/04/25 £m	Movement £m	Reserves at 30/9/25 £m
<u>EARMARKED RESERVES</u>			

Capital Financing Reserve	0.243	0	0.243
Transition Reserve	2.645	0	2.645
Clothing Reserve	0.582	0	0.582
POCA Equalisation Reserve	2.527	0	2.527
PCCA/Drugs Forfeiture Reserve	0.811	0.038	0.849
Police Property Act reserve	0.426	0.012	0.438
VMU Reserve	0.008	-0.008	0
Operational Policing Reserve	1.691	0	1.691
Forensic collaboration reserve	0.150	0	0.150
LFSA operational reserve	0.224	0	0.224
Regional Collaboration – NWROCU	0.006	-0.016	-0.010
Regional Drugs Forensics collaboration	0.244	0	0.244
NDORS course reserve	0.516	-0.066	0.450
Road Safety investment reserve	1.108	0	1.108
Total Earmarked Reserves	11.181	-0.040	11.141

GENERAL RESERVES

DFM	9.638	-0.826	8.812
General Fund	6.353	0	6.353
Total General Reserves	15.991	-0.826	15.165

1.6.2. Adequacy of Reserves

- General reserves (DFM and general fund) are £15.165m and represent 3.9% of the 2025/26 budget of £391.247m. Other earmarked reserves total £11.165m including £2.888m held to provide investment for the PCC's capital programme in 2025/26 and future years.
- The PCC's Chief Finance Officer believes that the level of reserves remains appropriate and in particular, the level of general reserves is considered sufficient to meet any unexpected or unusual financial issues during the financial year 2025/26 (In line with the PCC's published [Reserves Strategy](#)).

1.7. Future risks and opportunities

- 1.7.1. The PCC, in conjunction with the Chief Constable, maintains a multi-year financial strategy to deliver efficient and effective financial management for the organisation based on best estimates of the likely level of cost pressures, grant income and council tax receipts in future years.
- 1.7.2. The strategy currently identifies a possible 'funding gap' in the order of £20m to 2028/29. This will clearly require a significant level of further savings being made by the PCC and Chief Constable and will impact directly on the shape of future services.

- 1.7.3. The Constabulary has an on-going business planning programme that will work to develop proposals for how the further savings can be achieved.
- 1.7.4. The PCC and the Constabulary have a proven track record, as recognised by both HMIC and external audit reports, in their ability to identify and deliver financial savings and it is anticipated that this will continue. However, as the economic position continues to be challenging, it will be increasingly difficult to find savings on the scale required.

Specific Risks include:

Inflation and pay award

- 1.7.5. A pay award of 4.2% has been agreed for Police Officers and staff from September 2025 which is above the 2.8% increase assumed in the government grant allocation for policing in 2025/26. The Home Office have provided a specific one-off grant in 2025/26 to meet this additional cost but have indicated that this will not be repeated in 2026/27 creating a significant pressure for the budget.
- 1.7.6. Every 1% increase in pay costs for Lancashire equates to increased budget requirement of approximately £3m.

Maintaining the Police Uplift

- 1.7.7. The uplift programme has a direct impact on how the budget is managed.
- 1.7.8. The government has been clear that failure to deliver and maintain the uplift allocation would mean a reduction in funding.
- 1.7.9. This affects how savings can be delivered by the organisation as police officer pay represents around 58% of the total budget for the organisation.
- 1.7.10. A risk has been identified nationally that this could lead to staff being made redundant and police officers filling staff roles to meet savings targets whilst maintain the uplift number of officers.
- 1.7.11. This doesn't represent the best use of resources or maximise value for money.

Delivering the capital programme

- 1.7.12. The Commissioner has agreed an ambitious capital programme for the forthcoming period which impacts directly upon the revenue budget and medium-term financial planning.
- 1.7.13. There is a risk that both internal and external factors could delay the delivery of projects which will in turn impact upon the budget position and future years of the programme.

Future government funding

- 1.7.14. The Chancellor recently stated that the financial settlement for policing will be announced in December. It is expected that this will provide confirmation of funding for 2026/27 with outline spending plans for future years.
- 1.7.15. A one-year settlement limits the ability to deliver effectively financial management in the medium to longer term as it is difficult to engage in efficient long-term planning.
- 1.7.16. There is therefore significant risk in any assumption on government funding in future years that will, undoubtably, be subject to significant pressure in future years.
- 1.7.17. It is considered appropriate however, to assume a small increase in government funding in future years and the MTFS assumes a 1% increase in such funding each year beyond 2025/26. There is clearly a risk that this may not be realised.

Additional government funding

- 1.7.18. There continues to be a significant amount of additional funding for a number of areas including for Serious Violence Reduction, Violence Against Women and Girls and for Victims of Domestic and Sexual Abuse.
- 1.7.19. Currently this funding is not confirmed beyond 2025/26 which will cause considerable uncertainty for the staff and organisations that provide those services.
- 1.7.20. In turn this will have a significant detrimental impact of the level of service that can be offered as staff leave to find permanent employment.

Emergency Services Network (ESN) - Replacement of Airwave

- 1.7.21. The emergency services communications network 'Airwave' replacement programme has already 'slipped' by several years. There is a financial consequence of a delay in moving over to the new system that is not yet clear.
- 1.7.22. There is also a capital requirement for the equipment that will be required to operate on the new system that will impact upon future years' capital investment programme.
- 1.7.23. The financial impact of these is not yet fully known with estimated provision included in the draft capital programme based on best available information. When further information is received from the Home Office the financial forecast will be updated

Impact of the Police Pensions Remedy

- 1.7.24. The Government introduced changes to public sector pensions and introduced revised pension arrangements for Police Officers in 2015. As part of the implementation a series of protection measures were put in

place to protect those officers within 10 years of their normal retirement date.

1.7.25. This policy was successfully challenged in the Courts and was found to be discriminatory on the basis of age. The Government has recently announced its proposals to remedy the discrimination. Whilst these proposals will take some time before they are in place, initial indications are that the cost of administering the remediation will be an additional cost on police forces and the ultimate cost of the remedy may require an increase in employer contributions of 10%.

1.7.26. This will form detailed discussion with the Government and the extent to which sufficient funding is made available will be a key element of the discussion.

1.8. Conclusion

1.8.1. The overall financial health of the Police and Crime Commissioner's budget remains strong. The PCC and the Constabulary have been able to demonstrate:

- Strong financial control through service redesign reviews that has led to significant savings and reprioritised investment.
- Strong delivery arrangements through achieving the delivery of savings early and ensuring funding is available to support the costs of downsizing the organisation in future years.
- Flexibility in ensuring resources are targeted to priority areas and that high-level service delivery is achieved.

1.8.2. All of these are characteristic of organisations with well-managed finances. These together with a strong balance sheet that has resources set aside to mitigate against identified risks, as well as risks that may emerge during a year, place the Commissioner in a strong position to manage the significant financial challenges in the years(s) ahead.

2. Links to the Police and Crime Plan

Effective management of the revenue budget in conjunction with strong medium-term financial planning including for investment in futures years is vital to enable the PCC to deliver the Police and Crime Plan

3. Consultations

None

4. Implications:

a. Legal

None

b. Financial

The financial implications are contained within the report

c. Equality Impact Assessment

None

d. Data Protection Impact Assessment

None

5 Risk Management

6. Background Papers

7. Public access to information

Officer declaration	Date
LEGAL IMPLICATIONS – As above	
FINANCIAL IMPLICATIONS – As above	
EQUALITIES IMPLICATIONS – As above	
CONSULTATION – As above	
Author Signature: Steve Freeman Date 20/11//2025	
Sponsor I have read the above report and confirm this is factually correct. Signature: Steve Freeman Date 20/11/2025	
Section 151 Officer for the Office of the Police and Crime Commissioner I have read the above report and have considered the financial implications. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner for Lancashire. Signature: Steve Freeman Date 20/11/2025	
Chief Executive (Monitoring Officer) for the Office of the Police and Crime Commissioner for Lancashire I have been informed about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner for Lancashire. Signature: Anna Hopkins Date 20/11/2025	

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Telephone: 01772 535259