



RECOMMENDATION REPORT

DECISION: 66/2025	DATE: 19 FEBRUARY 2026
TITLE: FINANCIAL POSITION AS AT 31 DECEMBER 2025	
REPORT BY: STEVE FREEMAN	
Executive Summary This report sets out the monitoring position for the 2025/26 revenue and capital budget at 31 st December 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 £68.770m• 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	Forecast	Variance	
	£m	£m	£m	%
Chief Constable:				
Pay costs	323.974	325.330	1.356	0.42%
ACC Territorial Operations	7.324	7.635	0.311	4.25%
ACC Specialist Uniform Operations	5.513	5.501	-0.012	-0.22%
ACC Crime	4.329	4.337	0.008	0.18%
Chief Operating Officer	37.528	37.169	-0.359	-0.96%
Deputy Chief Constable	1.495	1.342	-0.153	-10.23%
Sub total	380.163	381.314	1.151	0.30%
Non-DFM budget	5.183	3.929	-1.254	-24.19
Total Constabulary Budget	385.346	385.243	-0.103	-0.03%
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	394.290	394.187	-0.103	-0.03%

1.2.2. The budget of £394.290m includes the one-off specific grant of £3.053m received from the Home Office to mitigate the additional pressure from the pay award of 4.2% in September 2025 (which was significantly higher than the level incorporated into the calculation of the core grant for policing for 2025/26).

1.2.3. A small underspend of £0.103m (representing 0.03% of the budget) is shown but there are several 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	1.356	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.
Vehicle replacement programme	0.900	Vehicle purchase above level in the capital programme to meet operational need
Overtime	0.545	There continues to be a pressure on the overtime budget.
Training income	0.278	Resources are focussed on the training of new officers which limits the ability to generate income through courses offered to external forces/organisations
Toxicology	0.599	The ongoing cost of toxicology submissions, which are not covered by the regional toxicology collaboration.
Ill-health pensions	0.236	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.
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
Cost mitigations:		
Impact of Neighbourhood Policing Grant	-1.928	Additional funding for costs of additional Neighbourhood roles
Energy costs	-0.569	In-year credits received
Pension contribution	-1.018	The proactive management of the payment of police staff employer pension contributions has generated a saving against the budget
Additional income	-0.322	Income in respect of specific policing operations
Planned building maintenance	-0.200	Reduced maintenance activity

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

	£m
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 £67.9m for 2025/26 was approved by the Commissioner in agreeing the Quarter 2 financial monitoring report.

1.4.2. An increased requirement in respect of the vehicle replacement programme has been identified of £0.879m which will be funded by an increased contribution from the revenue budget.

1.4.3. The Commissioner **is recommended to approve a revised capital programme of £68.770m** for 2025/26.

1.4.4. At 31st December 2025 £48.144m of spend is forecast against this programme (representing 70% of the annual budget):

	Programme £m	Forecast £m	Variance £m
ICT	10.588	9.782	-0.806
Estate	50.544	30.816	-19.728
Vehicle Replacement	6.477	6.477	0
Other schemes	1.161	1.069	-0.092
Total	68.770	48.144	-20.626

1.4.5. The variance on spend against the capital programme reflects the reprofiling of spending into future years in respect of several different projects, including:

- £0.8m on several ICT projects.
- £5.4m for the CPIP programme
- £7.3m for Chorley Police Station
- £1.8m refurbishment of Fleetwood Police Station
- £1.0m provision of Evidence Related Storage facilities
- £0.8m refurbishment of Burnley Police Station

- £0.8m minor capital works across the whole of the policing estate
- £1.5m for custody refurbishments
- £1.0m works to local police bases

1.5. Treasury Management

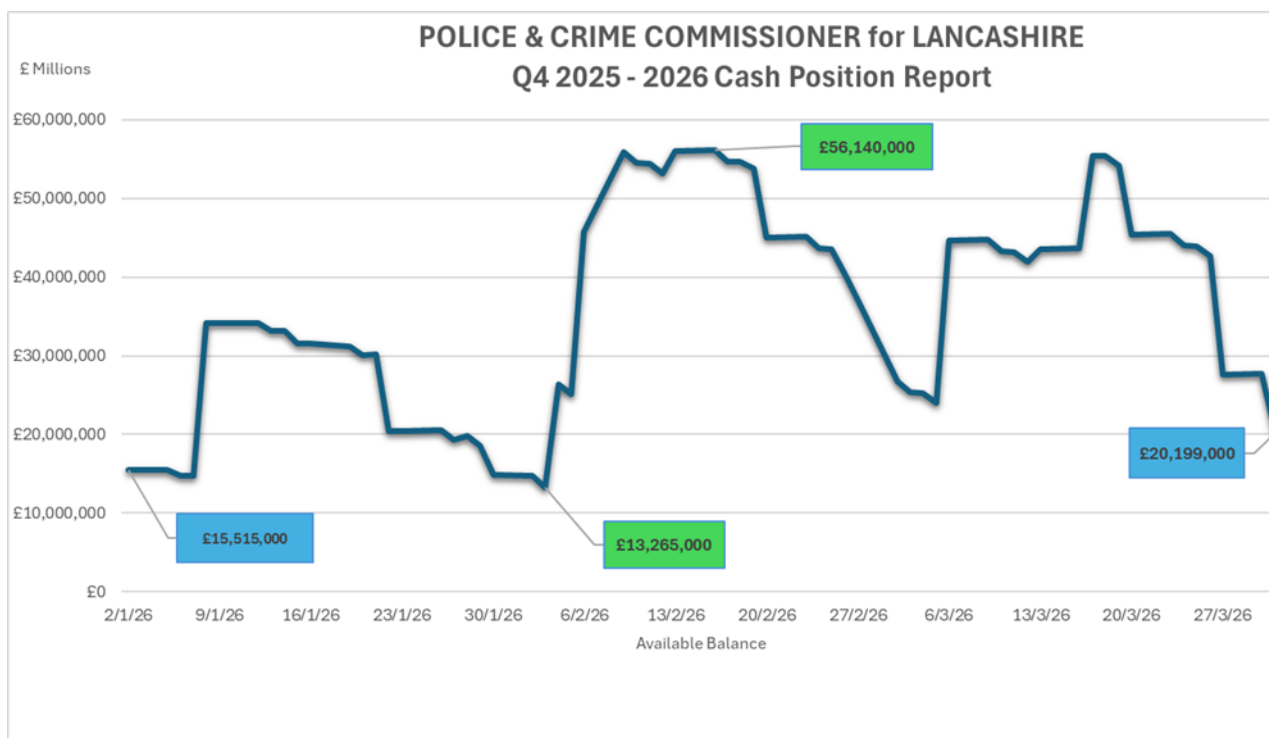
1.5.1. The following chart shows the Treasury Management position as at 31/12/25:

	31.3.25 Balance £m	Movement £m	30.9.25 Balance £m	30.9.25 Rate %
Long- term borrowing - PWLB	40.888	8.562	49.450	1.55% to 4.88%
Short-term borrowing	60.000	5.000	65.000	4.20% to 5.00%
Total borrowing	100.888	13.562	114.450	
Short-term investments	11.898	44.565	35.000	4.00% to 4.55%
Cash and cash equivalents			21.463	1.7% to 3.72%
Total investments	11.898	44.565	56.463	
Net borrowing	88.990	-31.003	57.987	

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. The CFR increases with capital expenditure funded by borrowing in year, less any minimum revenue provision to repay capital borrowing. The CFR is forecast to be £143.7m at the end of the financial year and currently borrowing is £114.45m against that requirement.

1.5.3. Net borrowing increased by £22.62m in quarter 3 due to reducing cash balances, which is the norm for the quarter and will increase further in quarter 4.

1.5.4. The following chart shows the planned cash flow position for the remainder of the financial year. This has now been financed to remain above the £10m minimum level, with the lowest balance being around £13m. Stage payments for the development of Pendle Police Station and the commencement of the refurbishment of the new Chorley Police Station have been built into the forecast.



1.5.5. In quarter 3, preparations have been made to transfer the main method of short-term investments from the Debt Management Office (DMO) to Money Market Funds. The funds have been selected and approved by the PCC. Investment in the funds will commence in quarter 4 and will increase the rate of return achieved on cash balances.

1.5.6. In addition, preparation and market scanning is taking place for borrowing activity in quarter 1 of 2026/27, replacing some of the short-term loans with longer terms loans required to fund the on-going capital investment in Chorley and CPIP.

1.5.7. 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 forecast year-end position for the PCC's reserves is:

	Reserves at 01/04/25	Movement	Forecast
	£m	£m	£m
<u>EARMARKED RESERVES</u>			
Capital Financing Reserve	0.243	0.163	0.406
Transition Reserve	2.645	-2.645	0
Clothing Reserve	0.582	-0.110	0.472
POCA Equalisation Reserve	2.527	0	2.527
PCCA/Drugs Forfeiture Reserve	0.811	0.046	0.857
Police Property Act reserve	0.426	0.013	0.439
VMU Reserve	0.008	-0.008	0

Operational Policing Reserve	1.691	0	1.691
Forensic collaboration reserve	0.150	0.030	0.180
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	-0.241	0.275
Road Safety investment reserve	1.108	-0.122	0.986
Total Earmarked Reserves	11.181	-2.890	8.291

GENERAL RESERVES

DFM	9.638	-1.270	8.368
General Fund	6.336	-0.908	5.428
Total General Reserves	15.974	-2.178	13.796

1.6.2. Adequacy of Reserves

- General reserves (DFM and general fund) are £13.796m and represent 3.5% of the 2025/26 budget of £394.290m.
- 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 £14m 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. Every 1% increase in pay costs for Lancashire equates to increased budget requirement of approximately £3m. Current forecasts for the next pay award range from 2.5% to 4%.

Maintaining the Police Uplift

- 1.7.6. The uplift programme has a direct impact on how the budget is managed.
- 1.7.7. The government has been clear that failure to deliver and maintain the uplift allocation would mean a reduction in funding.
- 1.7.8. This affects how savings can be delivered by the organisation as police officer pay represents around 58% of the total budget for the organisation.
- 1.7.9. 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.
- 1.7.10. This doesn't represent the best use of resources or maximise value for money.
- 1.7.11. It has been confirmed that this requirement will not be in place in 2026/27 but the pressure for the 2025/26 budget remains.

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 policing minister announced the final funding settlement on 28th January 2026. This confirmed funding for 2026/27 only.
- 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 includes an

increase in such funding each year beyond 2026/27. 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 elements of this funding are not confirmed beyond 2026/27 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 2nd March 2026	
Sponsor I have read the above report and confirm this is factually correct. Signature: Steve Freeman Date 2nd March 2026	
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 2nd March 2026	
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 2nd March 2026	

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