

Item No. 7.i on Agenda

Copy of Report to the Police Fire and Crime Panel – 17th November 2025

Medium Term Financial Strategy (MTFS)

Current MTFS Update

Report of the Staffordshire Commissioner

Introduction

The purpose of this report is to update the Police, Fire and Crime Panel on the Current Medium-Term Financial Strategy (MTFS). This supports delivery of one of the Commissioner's key responsibilities under the Police Reform and Social Responsibility Act 2011.

The report sets out the following:

- Update to current year's budget
- Update to future years' MTFS assumptions
- Sensitivity analysis around key financial items
- Update on capital programme

Recommendations

The Police, Fire and Crime Panel is asked to note the information contained within this updated MTFS report.

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Executive Summary

- 1.1 This report provides an update to the Police, Fire and Crime Panel on the current MTFS covering the years 2025/26 to 2028/29 including an update on the fiscal landscape facing policing since the MTFS was approved and current year financial performance.
- 1.2 The MTFS for the period 2025/26 to 2028/29 was approved by the Staffordshire Commissioner following presentation to the Police, Fire and Crime Panel on 3rd February 2025.
- 1.3 This MTFS report provides an update to the assumptions within the report and outlines key pressures facing the group.
- 1.4 As part of the budget process for 2026/27, the MTFS will be continually updated, up until the budget proposal by the Commissioner (and endorsement of the precept for Policing and Crime by the Police, Fire and Crime Panel), on 2nd February 2026.
- 1.5 A high-level timetable is included in this report, to lay out the necessary steps and key meetings to communicate the 2026/27 budgeting process and updated MTFS.
- 1.6 The Commissioner asks the panel to note the continued high level of financial uncertainty in regards to emerging government policy around policing. Issues include:
 - No clarity has been given regarding expectations in relation to the Neighbourhood Policing Guarantee (NPG) for 2026/27 and it should be noted that the force has flagged as part of its initial bid and continued submissions that the full year effect of the growth exceeds the grant for 2025/26.
 - Above budget pay awards are placing additional strain on forces and whilst the funding anticipated during 2025/26 will cover the increase on a one-off basis, the full year effect of the pay award pressure in 2026/27 won't be. The increased pay award in September 2025 is forecast to result in a £3.5m pressure in 2026/27 for the full-year effect.
 - This update paper reflects the grant funding figures provided as part of the 3-year Comprehensive Spending Review (CSR) and further clarity has not been given in relation to top slicing for NPG.
 - The CSR headline funding figures include an assumed precept increase, although the exact increase is not yet known. For the purposes of this update, the precept increase is assumed at 2.99% or £8.60.

The Budget Setting Process and Savings/Pressure Review

- 2.1 Financial and budget planning work is undertaken jointly with the Chief Constable to identify pressures and savings, as well as identifying areas for potential new investment in the policing model, should funding be available to do so.
- 2.2 The table below outlines the proposed budget timetable for the 2026/27 MTFS:

Date	Activity
June 2025	Resource Allocation Challenge panels (savings targets)
September 2025	Review capital programme commences
September 2025	TOM v budget reconciliation and recalculation of pay budgets
September 2025	Revised MTFS position based on recalculation of pay budgets and known pressures/savings to date
September 2025	Command review of current MTFS
September 2025	Review inflation assumptions
September 2025	Review reserves position
End September/ Beginning October	Resource Allocation Challenge panels (to present the pressures, flag any risks and Priority Based Resourcing review)
17 th November 2025	Police Fire & Crime Panel – MTFS Update
26 th November 2025	Autumn Budget
December 2025	Resource Allocation Challenge Panels – Round 3
December 2025	Launch Public Consultation regarding precept
December 2025	Funding settlement
December 2025	Refine detailed budgets
December 2025	Finalise capital programme
December 2025	Presentation of draft budget requirement to the Commissioner
Mid-January 2026	Final Council Tax Precept Positions from districts
January 2026	Draft Panel report – presentation to SGB on 23/01/2026
2 nd February 2026	Police Fire & Crime Panel – Recommendation of the budget and precept decision

- 2.3 As part of the above process, Staffordshire Police will hold budget holder 'Resource Allocation and Challenge panels. These sessions, led by the Chief Constable/Deputy Chief Constable, will challenge command leads around areas for new savings derived from the use of HMICFRS and CIPFA benchmarking where levels of funding and outcomes do not align. The Force is continuing its Priority Based Resourcing (PBR) reviews across a handful of areas to provide further scrutiny and greater understanding of use of resources. These reviews provide opportunities to review service levels and identify savings.
- 2.4 The starting position for the savings challenge of £10.9m (post the use of earmarked reserves) for 2026/27 represents c.4% of the overall budget, however as in previous years, there are a number of constraints placed on where savings can be found;

- Nationally police officer numbers are ringfenced (over 50% of the budget is spent just on police officer salaries);
- Locally, contact (call handlers) and Digital, Data and Technology staff numbers are ringfenced;
- The majority of non-pay costs are linked to headcount ergo by ringfencing headcount this ringfences this spend; and,
- Fees and charges are nationally set.

2.5 To aid the planning process the following strategic guidelines have been set out within which planning will be undertaken:

- That the current police officer baseline is as a minimum maintained at 2,002 FTE plus the Neighbourhood Policing Guarantee of 53 FTE
- To continue the investment programme in technology to improve service delivery and outcomes
- Where possible, the capital programme will be funded from internal cash
- The overall capital programme will not grow from the amounts allocated for the years in the current MTFS with new additions being offset by reductions elsewhere
- The General Fund reserve balance will be maintained, where possible, to support the ability to internally borrow and provide stability
- Savings will be sought from increased efficiency; income generation or non-pay spend within Staffordshire Police and redundancies avoided where possible
- A commitment to avoid 'cost shunting' between local partners
- To explore further collaboration opportunities both locally, regionally, and nationally and in particular with Staffordshire Fire and Rescue Service.

Local Context and Updated Financial Position 2025/26

3.1 Since the budget was presented to Police Fire and Crime Panel in February 2025, two material changes have been made to funding/income as follows:

- A national position has been provided in relation to treatment of funding and specific grants which has resulted in a change to the officer maintenance grant. When the budget paper was presented to panel in February 2025, this grant of £5.275m was treated as funding, whereas this is now shown in the accounts as income resulting in a change to the net revenue budget.
- Since setting the 2025/26 budget, additional funding was announced for Staffordshire Police in relation to the Neighbourhood Policing Guarantee. The report to PFCP included £1.5m grant, whereas the final allocation is £3.014m, an increase of £1.514m. This has a net nil impact to the bottom line because the budget for grants has been increased and the associated expenditure lines.

3.2 The Group (Commissioner and Staffordshire Police) outturn forecast for the current year at the end of Quarter 2 is £271.579m. This is a positive variance of £0.785m (0.29%) against the annual net revenue budget of £272.364m. The detailed revenue position as at Quarter 2 is set out at Appendix 1.

3.3 As at Q2 the revised capital programme is £32.454m for 2025/26 and includes planned spend across Information Technology, Transport, Estates and Equipment. The outline capital programme for each area is set out at Appendix 2.

Review of MTFS 2025/26

4.1 Both the Commissioner and Staffordshire Police are reviewing current planned revenue savings, pressures, proposed priority investments and capital spend. This work has been undertaken over the months of September and October and has identified the following high-level revenue budget changes:

- The pay award for September 2025 was higher than budgeted, which has had an on-going impact to future years. In addition, given the uncertainty regarding the level of pay awards in future years, the 2026/27 assumption has been increased from 2% to 3% and increased from 2% to 2.5% thereafter in line with future inflation estimates provided by the National Police Chiefs Council (NPCC) Finance Coordination Committee.
- In recognition of the funding pressures faced by forces following the pay award of 4.2% in September 2025, the Home Office has provided £120m of one-off additional funding, which is £1.8m for Staffordshire. It is assumed that there will be no further funding for this above budget pay award, with the pressure being absorbed locally.
- Additional new permanent savings identified to date by the force through RAC panels and reflected in the table are £4.8m.
- Change to the Local Government Pension Scheme contribution for police staff members from 21.5% to 17% resulting in a saving of £3.1m.
- Grant funding assumptions have been revised in line with NPCC Finance Committee recommendations following the CSR.
- It should be noted that the CSR funding headlines assume an increase in precept funding, although the exact increase is not known. For the purposes of modelling, the NPCC Finance Committee has advised to assume an increase of £14, however this is not reflected in this update.
- On-going revenue costs associated with investments including Axon body worn video, Force Contact Centre improvements and AI technologies.
- Pressures totalling £2.1m have been identified.
- Force non-pay inflation has been revised upwards to 3% resulting in a pressure of £0.5m.

4.2 The table below shows the forecast movement in the MTFS position since the MTFS was set in February 2025 for the changes indicated above:

	2026/27 £m	2027/28 £m	2028/29 £m
Underlying position	(11.5)	(16.5)	(21.2)
Reserve movements	0.6	0.0	0.0
Reported budget gap February 2025	(10.9)	(16.5)	(21.2)
Change funding assumptions to match CSR	5.8	7.7	7.2
Command Savings	4.8	4.8	4.8
Change in LGPS employer pension contribution from 21.5% to 17%	3.1	3.2	3.4
Base pay review	1.3	1.3	1.4
Use of budget support reserve - bank holiday	0.4	0.0	0.0
Bank holiday overtime	(0.4)	0.0	0.0
Non-pay inflation	(0.5)	(0.5)	(0.5)
Remove use of budget support reserve	(0.6)	0.0	0.0
Investments	(0.7)	(1.2)	(1.2)
Pay award review for 2026/27 - from 2% to 3% & 2.5% thereafter	(1.4)	(3.7)	(5.1)
Pressures	(2.1)	(2.0)	(1.8)
Pay pressures arising from pay award at 4.2% in September 2025 (budgeted 2.8%)	(3.5)	(3.6)	(3.8)
Revised (Gap)	(4.8)	(10.6)	(16.9)

4.3 The table below shows the changes in assumptions based on the MTFS set in February 2025, compared to the changes assumed in the table above:

Category		2026/27 %	2027/28 %	2028/29 %
Pay award	MTFS	2.00	2.00	2.00
	Revised	3.00	2.50	2.50
General non-pay inflation	MTFS	2.00	2.00	2.00
	Revised	3.00	2.00	2.00

4.4 Each 1% increase in non-pay inflation equates to a pressure of c.£0.5m.

4.5 The position shown above assumes a precept increase of 2.99% in 2026/27, which equates to a £8.60 increase on a band D property, which is what was assumed in the approved MTFS in February 2025.

- 4.6 The 2025/26 MTFS assumed a use of the budget support reserve in years 2025/26 to 2026/27. This assumption has been reversed in 2026/27 in the figures presented above.
- 4.7 Whilst using the budget support reserve remains available to use over the life of the MTFS the usage of the reserve needs to be balanced against a number of factors. These factors include using the reserve to smooth out the incremental savings requirement or allowing for targeted one-off investment.
- 4.8 In addition to the above, panel should note that whilst the uplift in police officer numbers mandated by central government is welcome, in essence this 'ring fences' well over half the budget from efficiency savings and redesigns. This means that in relation to savings on employment costs these can only come from police staff and PCSO roles.
- 4.9 The force has a comprehensive Efficiency Plan which has three key deliverables:
- Save to live within our means
 - Save to be sustainable through targeted investment
 - Securing a workforce mix that enables productivity and operational flexibility.

Funding Assumptions

- 5.1 The Commissioner receives funding from a number of sources with the majority of this being through core Home Office funding and the Council Tax precept. Income assumptions are currently being reviewed as part of the MTFS process; the Police funding settlement is usually received in December.
- 5.2 The Chancellor of the Exchequer presented her Spending Review (SR25) to Parliament on Wednesday 11th June 2025 with headlines of police spending power increasing by an average 1.7% per year in real terms over the Spending Review period (2025/26 to 2028/29) with a focus on restoring public confidence in policing and reflecting the government's Plan for Change commitment to neighbourhood policing growth and police reform. The Spending Review also includes projected increases in council tax precept; however, the exact increase assumptions are unknown unlike local government. Full details of the annual police funding will be set out in the Police Funding Settlement which isn't expected until mid-December 2025.
- 5.3 The government is maintaining its commitment to the growth of 13,000 more officers and PCSOs in neighbourhood policing. However, there is a lack of clarity in relation to expectations on forces in 2026/27. There is a material risk that there is a requirement to increase neighbourhood numbers further within the funding envelope of the Home Office Core Police Grant figures included within this update as assumed from the Spending Review headlines. The current assumption is that the £3.014m received in 2025/26 is cash flat.
- 5.4 For 2025/26, the group received the below grants and in line with the NPCC Finance Committee guidance, these have been assumed as per existing i.e. cash flat, which result in a real terms cut:

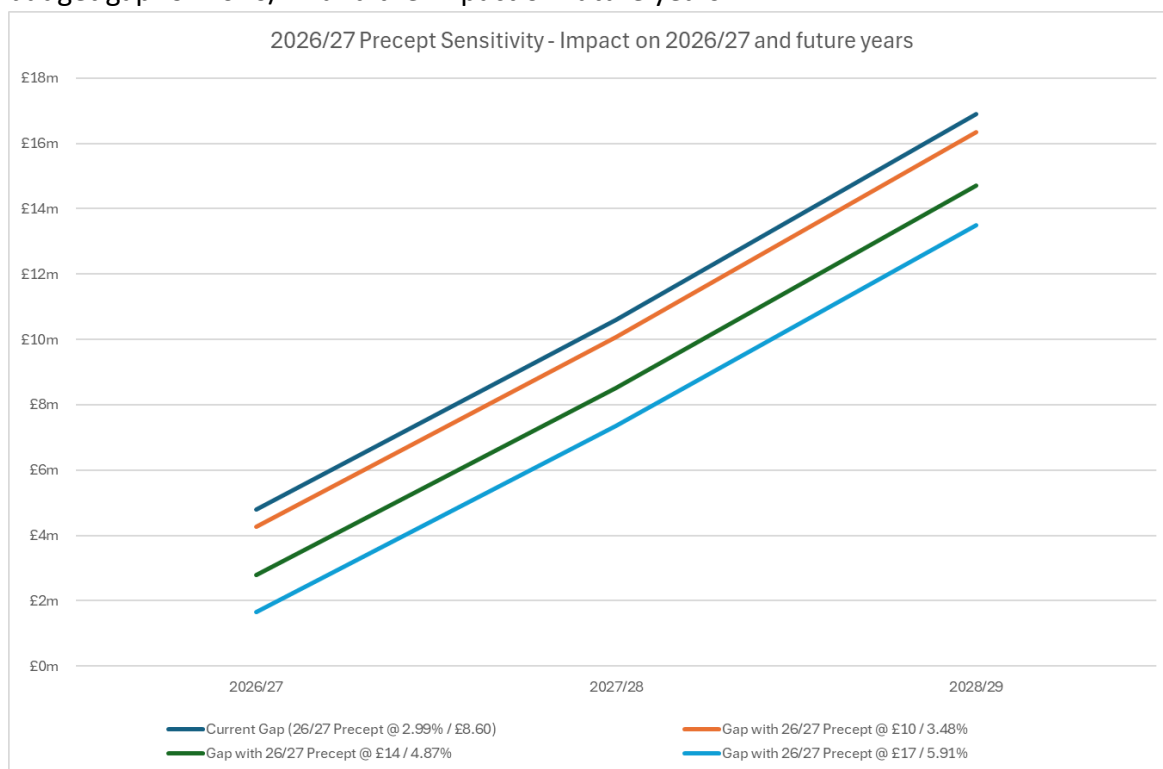
- Ring-fenced officer maintenance grant (£5.275m)
- Additional recruitment top-up grant (£2.845m)
- Legacy Council Tax Support grant (£11.965m)
- Pensions Grant (£5.291m)
- National Insurance Contribution grant (£3.532m)

5.5 Demand pressures on existing business and investment in service enhancements may need to be funded through increases in precept, savings or additional income being sourced.

5.6 The Government is likely to continue with the previous Government's policy to afford additional precept flexibility above the level currently assumed as a means of funding policing nationally. The Commissioner will balance the needs of policing for additional funding against the ability of Staffordshire residents to afford the policing precept; the current assumption in 2026/27 is an increase of 2.99%.

5.7 Should the Government grant the same flexibility as 2025/26 of £14 per annum for a band D property, this equates to 4.87% and would reduce the budget gap by £2m in 2026/27. A precept increase of £10 would result in an additional £0.5m and an increase of £17 would be additional funding of £3m. It has not been confirmed when the precept flexibility will be announced.

5.8 The chart below sets out the impact of changes in the 2026/27 precept funding on the budget gap for 2026/27 and the impact on future years.





- 5.9 The impact of the on-going challenges on our council tax base is unknown. An assumption of a 1% increase in the council tax base is included within the position. Currently, there is no assumption in relation to a surplus/deficit on the collection fund.

Inflation Assumptions and Sensitivity

- 6.1 Despite ongoing efforts to control inflation, the Bank of England has acknowledged that challenges persist. Services inflation has been slow to decline, in part because of high wage growth (linked to increases in the National Living Wage and National Insurance Contributions increases), food prices continue to rise, energy costs and regulated price hikes, such as for water bills and previous increases in energy costs have put upward pressure on inflation.
- 6.2 Funding assumptions included within this update are reflective of the CSR announcements for policing shared by NPCC. There are a number of underlying assumptions in relation to no further top slicing and precept levels which remain subject to confirmation, therefore there is a risk of material changes late on in the planning process. This cannot be avoided but needs to be recognised.
- 6.3 The table below sets out the budget assumptions presented to the panel for the 2025/26 MTFS:

	2025/26	2026/27	2027/28	2028/29
Description	Budget	Estimate	Estimate	Estimate
<u>Police Officers</u>				
Pay Award	2.8%	2.0%	2.0%	2.0%
Incremental uplift	2.0%	2.0%	2.0%	2.0%
Pension Contribution	35.3%	35.3%	35.3%	35.3%
<u>Police Staff</u>				
Pay Award	2.8%	2.0%	2.0%	2.0%
Incremental uplift	2.0%	2.0%	2.0%	2.0%
Pension Contribution	21.5%	21.5%	21.5%	21.5%
<u>Non-Pay Inflation</u>				
General	2.0%	2.0%	2.0%	2.0%
Utilities & Fuel	2.0%	2.0%	2.0%	2.0%
<u>Funding & Income</u>				
Government Funding*	4.97%	2.00%	2.00%	2.00%
Council Tax Base Increase	1.01%	1.0%	1.0%	1.0%
Variable Income Charges	2.0%	2.0%	2.0%	2.0%
Council Tax Precept Increase	5.12%	2.99%	2.99%	2.99%

*For 2025/26 includes Pensions Grant, NI Funding, Officer Maintenance Grant & Additional Recruitment Top Up

- 6.4 Consumer Prices Inflation is running at 3.8% in the 12 months to September 2025, no change from 3.8% in August 2025. Whilst it is anticipated to remain at this level for the remainder of the year, there are reductions anticipated within the MTFS period; the MTFS assumptions have been amended accordingly.
- 6.5 The non-pay inflation assumption for 2026/27 has been revised up to 3% given the current projections.
- 6.6 The current MTFS assumes pay awards at 2% per annum for 2026/27. For planning purposes, the assumption reflected in this MTFS update is an increase to 3% and for years 2027/28 onwards, the current MTFS assumes 2% which has been increased to 2.5%. These changes are in line with national guidance provided by the NPCC Finance Coordination Committee.
- 6.7 For indicative purposes, the table below from the 2025/26 MTFS highlights the impact of changes to the MTFS position:

Cost Area	Change	£'000
Police Pay	1%	1,418
PCSO/Police Staff	1%	888
Utilities	1%	23
Vehicle costs	1%	39
Supplies & Services	1%	101
Police Pension Contribution	1%	904
Police Core Grant Funding	1%	1,427
Precept	£1	370
Precept	1%	1,063

Capital and Treasury Management

- 7.1 As part of the current MTFS refresh, capital plans across both Staffordshire Police and the Commissioner's Office are being refreshed.
- 7.2 The Commissioner has set a desire to see greater economy and efficiency being obtained from infrastructure investment. This includes the benefits arising from such investment both in terms of productivity gain but also cashable savings. Once again, this will be a key theme for the Commissioner in agreeing the 2026/27 capital programme.
- 7.3 In accordance with the Treasury Management Strategy for 2025/26, cash has continued to be used in lieu of borrowing and no new long-term loans were raised in the first half of the financial year. The last date a loan was taken out was in February 2019.

- 7.4 During the first 6 months of the 2025/26 financial year, the Commissioner has repaid a £0.5m loan funded by the Public Works Loans Board (PWLb). No new loans will be taken out in year with the capital programme funded from a mix of revenue contributions, capital receipts and internal borrowing. By not replacing these loans the Commissioner will continue to make savings on interest payments.
- 7.5 Currently interest rate returns are lower than new borrowing costs meaning that the strategy of using cash remains important and represents a cost-effective and flexible way of financing the capital programme. Overall, the short-term interest rate environment now and for future forecasts both still support the borrowing strategy adopted in the 2025/26 Treasury Management Strategy.
- 7.6 Forecasts indicate the Commissioner should have sufficient cash balances to fund its debt for 2025/26. However, debt is likely to increase in the future due to continued capital expenditure incurred on new projects such as the firing range, upgrades to buildings, IT, etc. Therefore, the Commissioner is likely to require further external long-term borrowing in the future.
- 7.7 In addition to the above, the current internal cash balances are earning a significantly higher rate of return than budgeted generating a surplus in the 2025/26 financial year.

Reserves

- 8.1 The General Fund reserve is £9.784m, which is 3.59% of the 2025/26 net revenue budget in line with the Commissioner's Reserves Strategy, with no forecast draw on this reserve in year anticipated.
- 8.2 Earmarked reserves are held for specific purposes. As part of the MTFS refresh process both Section 151 Officers will review the adequacy and intended use of these reserves with a view to providing support to the MTFS.
- 8.3 A budget support reserve was established in 2021/22. The projected balance of this at the year-end is £4.782m following budgeted use of £3.645m in 2025/26. The current MTFS assumed a drawdown of £0.623m in 2026/27; for planning purposes, this has been reversed in this update. There is a requirement to use £0.4m to fund the pressure from additional bank holidays falling within 2026/27 on a one-off basis.
- 8.4 Reserves, whilst set aside for a particular purpose, are utilised in cash terms to support capital spend in lieu of external borrowing. The mid-year Treasury Management update indicated that by internally funding from cash in lieu of borrowing, this has saved the Commissioner around £141,000 in interest payments so far, this financial year. A full year figure will be reported in the 2025/26 outturn report.

Appendix 1 – Detailed Revenue Position as at Quarter 2 2025/26

	Year to Date			Forecast		
	Budget £'000	Actual £'000	Variance £'000	Budget £'000	Actual £'000	Variance £'000
Pay						
Police Officer Pay Costs	71,094	70,615	(479)	145,504	145,210	(295)
PCSO Pay Costs	4,449	4,409	(41)	8,549	9,345	797
Police Staff Pay Costs	40,945	39,681	(1,264)	82,756	81,911	(845)
Other Employee Costs	2,564	2,324	(240)	5,065	5,095	29
Police Officer Pensions	2,201	1,911	(291)	4,403	4,392	(11)
	121,254	118,939	(2,315)	246,277	245,952	(325)
Non Pay						
Repairs & Maintenance	16	26	10	32	42	11
Other Premises Costs	3,267	2,934	(333)	6,534	6,355	(179)
Vehicle Costs	2,052	1,874	(178)	4,109	4,021	(87)
Other Travel Costs	375	330	(45)	750	686	(63)
Operational Supplies & Service	4,137	3,733	(404)	8,006	8,043	37
Communications & Computers	6,701	6,084	(617)	13,532	13,300	(231)
Administration	749	803	53	1,939	2,159	220
Other Supplies & Services	254	209	(45)	1,357	1,414	57
	17,551	15,992	(1,558)	36,257	36,020	(237)
Contracted						
Third Party Payments	9,556	8,405	(1,151)	18,980	19,195	215
	9,556	8,405	(1,151)	18,980	19,195	215
Capital Financing						
Capital Financing Costs	7,229	6,701	(528)	7,829	7,568	(262)
	7,229	6,701	(528)	7,829	7,568	(262)
Income						
Grants & Contributions	(5,544)	(4,314)	1,229	(20,676)	(20,975)	(299)
Reimbursements	(3,523)	(3,335)	188	(7,283)	(7,095)	189
Sales, Fees & Charges	(1,158)	(1,528)	(370)	(2,315)	(2,495)	(181)
Other Income	(680)	(1,105)	(424)	(1,361)	(1,788)	(427)
	(10,905)	(10,282)	622	(31,635)	(32,353)	(718)
Funding						
Reserve Transfers	(1,615)	(1,125)	490	(5,671)	(4,609)	1,062
Use of capital receipts	0	0	0	0	0	0
Recharge direct to capital	(96)	(97)	(1)	(195)	(195)	(0)
Intra Group Transfers	0	0	0	0	0	0
	(1,711)	(1,222)	489	(5,866)	(4,804)	1,062
Unallocated Savings						
Unallocated Savings	(42)	0	42	521	0	(521)
	(42)	0	42	521	0	(521)
Total Revenue Budget	142,931	138,532	(4,400)	272,364	271,579	(785)

Appendix 2 – Quarter 2 Capital Programme

Portfolio	Approved Capital Programme 2025/26 £000	Budget Reprofiled from 2024/25 £000	Restated Capital Programme 2025/26 £000	In Year Changes to Programme £000	Revised Capital programme £000	Total Spend to Date £000	Capital Programme Remaining £000
Digital, Data and Technology	12,465	1,528	13,993	(3,025)	10,968	2,817	8,151
Estates	12,869	3,612	16,481	340	16,821	12,399	4,422
Transport	2,000	1,021	3,021	214	3,235	2,958	277
Equipment	340	1,107	1,447	(17)	1,430	1,088	342
Total Capital Programme	27,674	7,268	34,942	(2,488)	32,454	19,262	13,192

Capital Funding 2025/26	Approved Capital Funding 2025/26 £000	Funding Reprofiled from 2024/25 £000	Restated Capital Funding 2025/26 £000	In Year Changes to Capital Funding £000	Revised Capital Funding 2025/26 £000
Grants	0	0	0	0	0
Revenue Contribution to Capital	(2,157)	0	(2,157)	(264)	(2,421) *
Earmarked Reserves	0	0	0	(1,072)	(1,072)
Internal Borrowing Requirement	(25,517)	(7,268)	(32,785)	3,824	(28,961)
Total Capital Programme	(27,674)	(7,268)	(34,942)	(2,488)	(32,454)

*There is £20k additional revenue contribution to capital (RCCO) to fund the SSRP vehicle replacement yet to be transacted. Also, in the Q2 Revenue Finance Report, if approved, it is assumed that an additional RCCO will be used to fund the capital programme from the interest on balances surplus.