

Medium-Term Financial Strategy 2025-2030

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Cheshire
Police & Crime
Commissioner



Cheshire
Constabulary

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Foreword

This is the Medium-Term Financial Strategy (MTFS) and covers a period of five years. It will be reviewed every six months to reflect the dynamic nature of both policing and changes in funding. It describes the financial direction of the organisation and outlines financial pressures. Without the confidence of knowing what we can afford it is impossible to make balanced judgements about where we need to invest and where we can make efficiencies. We have had to manage the challenging and changing financial situation facing all public services whilst ensuring we meet local policing needs, and the priorities set out in the Commissioner's new Police and Crime Plan.

Over the period of this MTFS, we will continue to innovate and engage widely with the public of Cheshire to deliver on key local and national priorities and work with a broad range of partners to address the root causes of crime and anti-social behaviour to create a safer, more cohesive community through prevention and intervention.

The MTFS is intrinsically linked to the Force Management Statement (FMS) which is a self-assessment of current and future demand, performance and how we will adapt to meet such demand. It also includes details of the funding the Constabulary expects to have to fulfil this.

On the 17 December 2024, the Home Secretary published the Provisional Police Grant Report 2025/26 – a one-year settlement as Phase 1 of their spending review. The Government also announced the total level of funding planned for Phase 2, which will conclude and be published in late spring of 2025. As such, for this MTFS, funding has been held at 2025/26 levels throughout due to the uncertainty of what funding will be available from 2026/27. Once Phase 2 has been published, the MTFS will be updated and republished.



Chief Constable
Mark Roberts QPM



Police and Crime Commissioner
Dan Price

MEDIUM TERM FINANCIAL STRATEGY 2025 TO 2030

1 INTRODUCTION

- 1.1. The purpose of the Medium-Term Financial Strategy (MTFS) is to provide the Police and Crime Commissioner, Chief Constable, officers, staff, the public and other stakeholders with information on the financial outlook and the estimated available financing over the next five years. The strategy takes into account future high-level potential revenue and capital expenditure over the period based upon current information.
- 1.2. The Commissioner's new Police and Crime Plan contains a wide range of innovative initiatives to deliver the following three key pillars;
- Listen to the Public
 - Modernise
 - Reduce Crime

Listen to the Public

- 1.3 The Commissioner has set out his plans to engage widely with the public through the hosting of citizens assemblies in each of the nine Local Policing Units (LPUs) across the Constabulary area. This will enable the Commissioner and his team to hear the voices of local people and enable local policing teams to be better informed on the views of local residents.
- 1.4 The Commissioner's Plan includes a wide range of support for victims of crime, by commissioning tailored services to best meet their needs. By regularly reviewing police performance and holding the Chief Constable to account, the Commissioner will ensure that the police are using all the tools available to them. He will retain a sharp focus on the Constabulary handling victims with care, respect and sensitivity.

Modernise

- 1.5 The Commissioner is keen to drive efficiencies and explore how artificial intelligence and data analytics can help drive forward many of the priorities contained within his Plan. Innovative technology will be embraced to ensure that the service is well equipped to deal with current and emerging threats and ensuring the police are present when and where they are needed most. This will be supported by a culture which is open to new ideas and new ways of working. Wherever possible, the Commissioner will look to secure additional funding and work with key stakeholders to build on the successes already achieved.
- 1.6 This MTFS also makes provision for funding to ensure that the Constabulary estate is modernised and, despite the challenging financial context and the age and size of the estate, invest in existing properties in a sustainable and economic way to enable them to remain effective policing bases best placed to serve our communities. This will also include provision for the development of new, state of the operational bases in Wilmslow and Crewe.

Reduce Crime

- 1.7 Through his citizens assemblies, the Commissioner is clear how important neighbourhood policing, and a visible police presence is to all our communities and will support and review the development of the neighbourhood policing model where all communities will have a named contact. Through his scrutiny process, the Plan also sets out how response and call handling times will be monitored. The budget will support the continued use of tools such as Dytask which will ensure that hotspot areas are properly policed, and that communities and businesses can be best supported at times when they may need additional resources to address such issues as ASB. The Commissioner is currently developing the County's first stakeholder funded hotspot policing programme.
- 1.8 The Commissioner's Plan also includes a keen focus on violence against women and girls and driving up the reporting of domestic abuse incidents, to ensure the service provided to victims is the best it can be, and that those most at risk of harm are protected.
- 1.9 The MTFS supports the Plan's focus on the prevention agenda and efforts to steer people away from criminal activity, looking to commission educational programmes where appropriate to tackle the scourge of knife crime and other serious violence, but also working with perpetrators and ex-offenders to rehabilitate them into our communities and deter them from further criminality. This MTFS also sets out the contributions that will be made to regional policing operations which focus on serious and organised crime and counter terrorism, for which the Commissioner and his regional counterparts will provide oversight and scrutiny.
- 1.10 The Plan sets out the work which will be undertaken with local community groups, utilising money seized through the Proceeds of Crime Act to develop projects which support local communities to tackle crime and anti-social behaviour.
- 1.11 The Commissioner's Police & Crime Plan is the key document in local policing which has helped develop this MTFS and set out policing priorities for the coming four years.
- 1.12 The Force Management Statement is a self-assessment that Chief Constables prepare and give to His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) each year. It is the Chief Constable's statement and explanation of:
 - the demand the force expects to face in the next four years;
 - how the Constabulary will change and improve its workforce and other assets to cope with that demand;
 - how the Constabulary will improve its efficiency to make sure the gap between future demand and future capability is as small as it can reasonably be; and
 - the money the Constabulary expects to have to do all this.

- 1.13 As such the Force Management Statement and MTFs are integral to each other. One to provide details on the demand and shape of the Constabulary going forward and the other to reflect the monetary impact.
- 1.14 In addition, there is the Strategic Policing Requirement (SPR). This was first issued in July 2012 under Section 77 of the Police Reform and Social Responsibility Act 2011. The Home Secretary has produced this setting out how Commissioners and Chief Constables contribute to national policing issues. There is a statutory requirement for all forces to deliver the SPR alongside problem solving local issues. It was last updated in February 2023 to introduce Child Sexual Abuse (CSA) as an additional national threat. The latest SPR currently covers the following issues:
- Violence Against Women and Girls
 - Terrorism
 - Serious and organised crime
 - National Cyber Event
 - Child sexual abuse
 - Public disorder
 - Civil emergencies
- 1.15 As part of the overall budget process, the Chief Constable must satisfy himself and the Commissioner that the requirements of the SPR are achievable within the financial scenarios.
- 1.16 In the Chief Constable's plan on a page, he sets out his vision and priorities for the Constabulary as follows:



2 DEMAND AND PERFORMANCE

- 2.3 While the above set the priorities for the Constabulary both nationally and locally, there has to be a recognition within this Medium-Term Financial Strategy, of the demand placed on the service and the performance required to meet that demand.
- 2.4 On 19th November 2024, at the NPCC and APCC annual conference, Home Secretary Yvette Cooper set out her plans to deliver major policing reforms which included:
- A new Police Performance Unit to track national data on local performance and drive-up standards
 - A Neighbourhood Policing Guarantee to get policing back to basics and rebuild trust between local forces and the communities they serve
 - A new National Centre of Policing to harness new technology and forensics, making sure policing is better equipped to meet the changing nature of crime
- 2.5 To drive excellence across policing, the Home Secretary and police system leaders will establish a new National Centre of Policing. While work is underway to determine the scope and scale of the unit, it is expected to include specialist and supportive functions like forensics, aviation and IT, which have become fragmented and underpowered over the last decade. National arrangements on procurement will also generate savings to reinvest into frontline policing.
- 2.6 A new Police Performance Framework will be drawn up between policing and the Home Office to make sure standards are upheld across the country. This framework will meet a long-standing recommendation of the police inspectorate and has the support of the College of Policing and the National Police Chiefs' Council.
- 2.7 This framework will be underpinned by a new Police Performance Unit in the Home Office, using data to determine force-level improvements and end the postcode lottery on standards.
- 2.8 The Home Office will create a new central database of high-quality force-level data tracking local performance in priority areas like knife crime and violence against women and girls. Ministers will work in collaboration with the College of Policing, His Majesty's Inspectorate of Constabulary and Fire & Rescue Services and PCCs to ensure there is effective intervention when forces are failing.
- 2.9 It was also announced that they are committed to delivering an additional 13,000 police officers, PCSOs and special constables in neighbourhood policing roles, and will set out further steps in the coming weeks.

3 THE MEDIUM-TERM FINANCIAL STRATEGY

3.3 With the above plans, statements and objectives in mind, the purpose of this strategy is to provide a basis for determining:

- The level of funding available in the future to deliver national and local priorities;
- The future demands upon the revenue budget;
- The impact of external factors;
- The financial implications of collaborations;
- The amount of capital investment which is required to achieve corporate objectives;
- The revenue consequences of such capital investment;
- The future reserve levels;
- The impact of additional demands on the level of council tax; and
- The main financial risks facing the organisation.

3.4 The above determines the level of funding and demands on finances over the MTFS period enabling strategic financial planning processes to address the challenges and outcomes.

3.5 The following set out the key principles for that planning process:

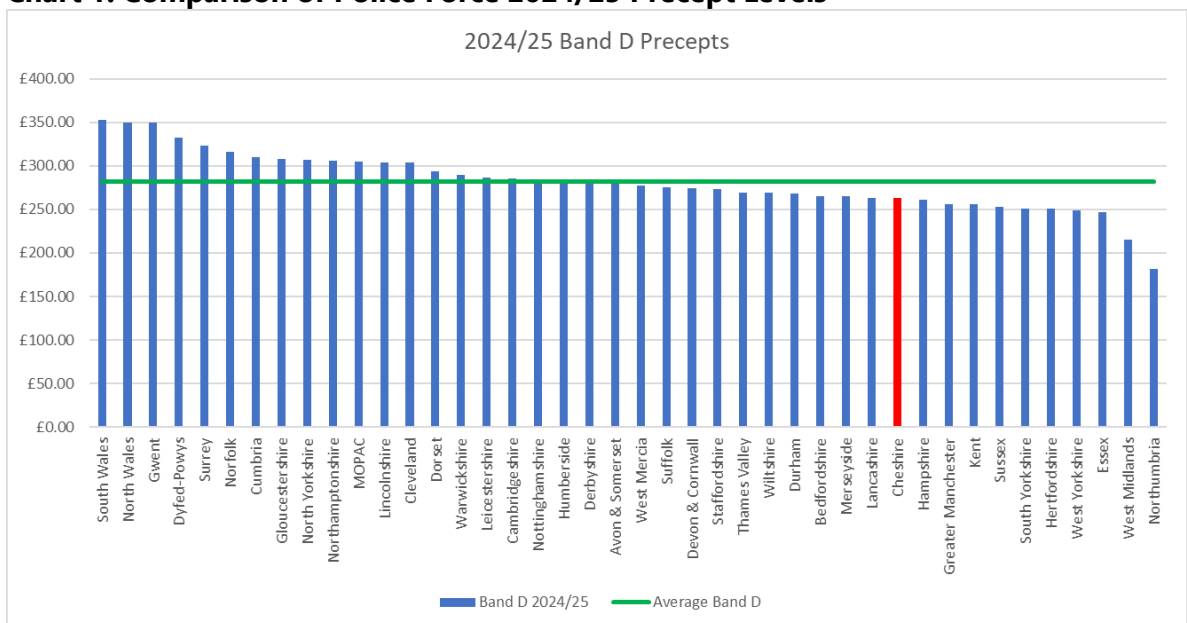
- Ensure that plans contribute to improved outcomes in support of set priorities;
- Set a comprehensive, timely, balanced, and realistic budget;
- Take into account pay and price inflation and achievability of savings;
- Complies with the approved treasury management strategy;
- Complies with the approved reserves strategy;
- Raise awareness of and communicate key financial messages both internally and externally;
- Ensure budgets set are affordable and do not jeopardise financial stability either in the short or long term;
- All spending plans will need to demonstrate that they can achieve value for money;
- Spending will be agreed only when the necessary funding is identified and approved;
- External funding will be sought wherever it can be used in a sustainable manner that does not lead to unforeseen costs; and
- Budget proposals will be publicised and consulted upon with stakeholders in an open and transparent manner.

4 FINANCIAL SCENARIO

4.3 It is imperative that the MTFS takes account of the regional, national, and global economic climates and the short to medium term impact of the inflationary pressures both in service delivery and financial outlook. It is also noted that this mid-year review of the MTFS comes after both local and national elections resulting in a new Police and Crime Commissioner and Central Government.

- 4.4 The Commissioner receives his main funding from two sources – Government grants and local council tax (known as a precept). Government grants account for around 58% with local council tax funding covering the remaining 42%. The following paragraphs sets out the current financial scenarios for both.
- 4.5 Government funding is the aggregate amount of grants for police purposes comprising of the Home Office Police Core Grant, the Department for Levelling Up, Housing & Communities (DLUHC) Formula Funding Grant, and Legacy Council Tax Grants.
- 4.6 A precept is levied on the Council Tax for the policing in Cheshire and it is the responsibility of the Commissioner to set the level of precept as part of the annual budget setting process. To calculate the level of funding, each local authority calculates the taxbase (the assimilated number of council tax bills issued) taking into account changes in the number of houses, council tax benefits, discounts etc. These vary each year and the MTFS includes assumptions for these changes based on discussions and forecasts supplied by the local authorities.
- 4.7 Each December, the Government sets out the council tax referendum principles. These principles set the maximum increase permitted on a Band D property for the following financial year, before a local referendum is required. However, it is for the Commissioner to decide the level of precept annually. To aid understanding of the context in which the precept is set, the actual level of council tax levied by each Police & Crime Commissioner for 2024/25 is shown below (Band D equivalent).

Chart 1: Comparison of Police Force 2024/25 Precept Levels



- 4.8 Each year Council Tax income is calculated based on assumed levels of collection rates by the local authorities. This means that, at the end of each year, an adjustment has to be made to reflect the actual collection rates. This can lead to a one-off surplus or deficit on the fund which is accounted for within the calculation of the following year's

net budget requirement, but the actual amounts are not declared until mid-January each year.

5 FINANCIAL ASSUMPTIONS

5.3 The level of expenditure incurred increases each year based on several factors such as pay awards, inflation, changing priorities and additional demands or burdens. The following lists the financial assumptions that are included within the current MTFS:

- Pay inflation – while the actual pay award is subject to annual negotiation, for September 2025 the provisional offer of 2.8% has been included, with future years including a forecast 2% pay award. Cheshire is a Living Wage Foundation employer and will support the proposed increases accordingly.
- Pensions - Every three years the Local Government Pension Scheme (LGPS) is valued, and the following three year's employers' contribution rates are set accordingly. The last valuation was in 2022 and new annual rates have been included within the MTFS. The next valuation is due in 2025 and estimates of the impact of that valuation have also been included.
- Police Pension Scheme - Changes in the employer contribution rates were due to be implemented from April 2023 for most unfunded public service pension schemes, including police officers. Due to various complex reasons, these were delayed until April 2024. Specific grant funding was awarded in 2024/25 and again in 2025/26 to support this additional cost. However, this has not been transferred as yet into the base funding and therefore has no certainty for future years. The assumption within this MTFS is for this funding to continue as a specific grant.
- Price inflation – Based on the Office of National Statistics inflation data, non-pay expenditure is increased annually in line with inflationary targets. The exceptions to this are those items that have specific annual increases in accordance with their contractual arrangements or known rates, and these are reflected within the MTFS.
- Borrowing – Additional borrowing is required to meet the planned capital programme, although the exact timing will depend on spend and interest rate movement. Interest payable is based on forecast interest rates. Additionally, funding (known as the Minimum Revenue Provision or MRP) must be set aside to repay debt over time and as new borrowing is undertaken this amount will increase. Estimated MRP amounts have also been built into the figures in this MTFS.
- Funding – The Spending Review 2025 is taking place in two phases - at the Autumn Budget on 30 October 2024, the Chancellor set out the outcome of Phase 1 of the Spending Review, which confirmed departmental budgets for 2024/25 and set budgets for 2025/26.

The Government also announced the total level of funding planned for Phase 2, which will conclude and be published in late spring of 2025. As such, for this MTFS, funding has been held at 2025/26 levels throughout due to the uncertainty of what funding will be available from 2026/27. Once Phase 2 has been published, the MTFS will be updated and republished.

- Precept – On the 28 November 2024, the Government issued a statement on council tax referendum principles which stated that these must strike a balance between the burden on the taxpayer and funding local authority need, whilst acting as an additional local democratic check and balance. For policing the Government has set a council tax referendum principle of £14 at Band D. It is assumed flexibility will continue, but at £10 (Band D) throughout the rest of the MTFS period.

6 FINANCIAL CHALLENGES AND OPPORTUNITIES

- 6.3 While headline inflation such as CPI has fallen from the high levels experienced over the last few years and is predicted to return to the 2% target level within the MTFS period, there are still some areas where inflation remains stubbornly high. For example, the cost of insurance continues to show yearly increases in double figures. Similarly, higher pay awards contribute to financial pressures, with Government funding going some way to mitigate the impact.
- 6.4 Opportunities to improve the impact of the financial forecasts come in the form of improved efficiencies, increased productivity, and modernisation.

7 FINANCIAL FORECASTS 2025 to 2030

- 7.3 It is important to note that the MTFS is a high-level strategy document that summarises plans over the medium term as they stand based upon current projections and assumptions. As additional updated information becomes available these plans will be subject to change and updated accordingly. A certain amount of detailed budget information is presented, and this should be regarded as indicative and illustrative only. Any budget shortfall is assumed to be cleared for the following year's budget. This document will inform the Commissioner's budget setting process, as will other tools such as consultation with residents.
- 7.4 Based on current information, priorities and assumptions, the following table sets out indicative budgets for 2025 to 2030 recognising the volatility and uncertainty of funding and the flexibility or not afforded to Commissioners to uplift the council tax.

Table 1 – MTFS Revenue Budgets	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000
Base budget (Gross)	290,495	305,213	310,711	316,303	322,079
Inflation	13,655	7,013	6,076	6,198	6,354
Commitments & Unavoidable Demand	7,523	3,184	2,966	1,379	500
Savings identified	-6,288	0	0	0	0
Gross Expenditure	305,385	315,410	319,753	323,880	328,933
Income and specific grants	-42,786	-42,627	-42,615	-42,665	-42,716
	262,599	272,783	277,138	281,215	286,217
Transfer to/(from) reserves	0	0	0	0	0
Net Budget to be funded	262,599	272,783	277,138	281,215	286,217
Government grant	-142,424	-142,424	-142,424	-142,424	-142,424

Legacy Council Tax Grant	-8,256	-8,256	-8,256	-8,256	-8,256
Council tax – Precept	-111,919	-117,404	-123,008	-128,734	-134,583
Council tax – Collection Fund	0	0	0	0	0
Net Budget Requirement	-262,599	-268,084	-273,688	-279,414	-285,263
Budget Gap / (Surplus)	0	4,699	3,450	1,801	954

- 7.5 Each year there are commitments and unavoidable demands that require funding. These are in addition to inflation and form part of the standstill budget proposal. For example, the financial impact of borrowing – interest and repayment.
- 7.6 Please note that all the budget gaps or surpluses are prior to any additional growth or demands not currently identified and therefore these will increase when amounts are known and the MTFS updated accordingly. It is assumed that any significant growth will be matched by appropriate savings each year. With the current financial uncertainties, future years are speculative and subject to considerable change.
- 7.7 All budgets are subject to rigorous review. In addition to the standard priority-based budgeting process, a thematic review of all budgets including underlying processes and contractual specifications will take place to ensure they remain fit for purpose and current, providing value for money whilst maintaining service performance and delivery within available funding.

8 SENSITIVITY ANALYSIS

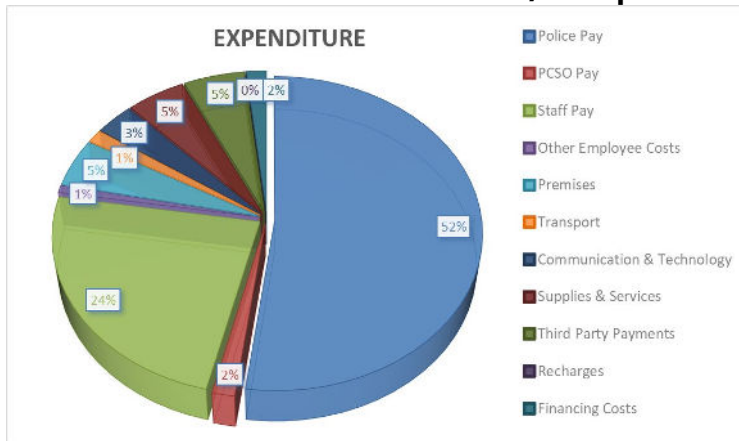
- 8.3 As with any assumptions, there are risks that the actual outcome will be different. There are three key assumptions included within this MTFS that could impact significantly upon the figures presented in table 1 above. These are the level of Government funding, the amount of council tax payable towards local police funding and the level of pay awards agreed nationally. As such, the following details the financial impact of changes to the levels assumed in these tables. It is also important to note that these changes would be cumulative as they represent a change to base level funding.
- For each change of 0.5% in the level of government funding, the impact would be either a reduction or increase in the budget gap of around £0.8m.
 - For every 0.5% increase or decrease in council tax would have a potential impact of £0.6m per annum.
 - Within the MTFS, it is assumed that the council taxbase will marginally increase each year in line with local authorities' forecasts. A 0.5% overall increase in the taxbase results in £0.6m of additional funding.
 - A 0.5% movement in the pay award would have a potential £1.2m impact on the budget gap.

- 8.4 To put the above figures into context, a change in funding or additional costs of £0.6m per annum would equate to ten police constables per annum based upon average salary costs.

9 CONTEXT

- 9.3 As part of the ongoing review of expenditure and the search for further efficiencies and savings, it is important to understand how the Commissioner and Constabulary currently spend their funding. The following chart shows that 78% is spent on pay with the remaining funding spread over premises, transport etc.

Chart 2: Cheshire Police and PCC 2024/25 Expenditure by Type



10 PLANS TO ADDRESS THE FINANCIAL FORECASTS

- 10.3 Priority based budgeting (PBB) is a method of planning for and assigning effort and money to best achieve the Commissioner's priorities for policing Cheshire and tackle the key areas of threat and demand as identified within the Force Management Statement. During PBB managers and staff consider the relative benefits of future expenditure to ensure money and effort are directed to achieve the required outcomes. To ensure efficiencies are driven out of the PBB process, HMICFRS's Value for Money Profiles are used to challenge and benchmark individual service areas and ensure best value is achieved, together with operational demand and performance data.
- 10.4 PBB for 2025/26 had budget managers submitting their proposals both in terms of efficiencies, unavoidable demands, and growth together with service level impacts of reduced funding. The Government has confirmed that the restrictions over the maintenance of officer numbers will remain in place. A full thematic review has been carried out on non-pay expenditure and while there are efficiencies the amounts involved are now limited.
- 10.5 Using the priorities of the Commissioner, the Force Management Statement; the Chief Constable's Plan on a Page; and the SPR, the outcome of the PBB process will allow resources to be allocated accordingly and within the legal requirement to balance the budget. In addition, there is a robust vacancy management process led by the Deputy Chief Constable and HR, which is now fully embedded within the Constabulary. This

process reviews all vacancies as they arise to understand the options available which, ultimately, may include the removal of the vacant post. This will continue throughout 2025/26.

10.6 While the plans and actions stated above will provide a budget solution, it must be recognised that the delivery of efficiencies and savings have been part of budget planning from the beginning, but with austerity followed by the coronavirus pandemic, it has brought challenges and opportunities, which were previously inconceivable. However, this has meant that any initial opportunities have already been delivered and any future efficiencies and savings harder to achieve.

11 RESERVES

11.3 Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when preparing budgets. In establishing reserves, the Commissioner must comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Chief Finance Officer (OPCC) is required as part of the budget setting process to provide a statement on the adequacy of reserves.

11.4 In addition, the Home Office Financial Management Code of Practice requires the Commissioner to publish a Reserves Strategy on an annual basis. This Strategy provides an explanation for each reserve held along with details on the current and forecast values. The Reserve Strategy is published on the Commissioner's website as follows: [Strategies \(cheshire-pcc.gov.uk\)](https://www.cheshire-pcc.gov.uk/strategies)

11.5 The following table shows the level of reserves forecast over the MTFS period.

RESERVES FORECAST	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30
	£000	£000	£000	£000	£000	£000
Revenue Reserve for Capital	-755	0	0	0	0	-474
Capital Receipts	0	0	0	0	0	0
Unapplied Capital Grants	0	0	0	0	0	0
IT Reimbursement Reserve	0	0	0	0	0	0
ESN Reserve	-226	-226	-226	-226	-226	-226
Earmarked Capital Reserves	-981	-226	-226	-226	-226	-700
Carry forward Reserve	0	0	0	0	0	0
Redundancy Reserve	0	0	0	0	0	0
Medium Term Finance Strategy Reserve	-2,483	-2,483	-2,483	-2,483	-2,483	-2,483
POCA Reserve	-560	-413	-395	-377	-377	-377
Hardship Loan Reserve	-50	-50	-50	-50	-50	-50
Pay and Pensions Reserve	-147	-19	-19	-19	-19	-19
Major Investigations Reserve	-1,125	-562	0	0	0	0
Council Tax Deficit Reserve	-769	-769	-769	-769	-769	-769
Estates Strategy Reserve	-500	0	0	0	0	0
Road Safety Initiatives Reserve	-342	-342	-342	-342	-342	-342
Commissioning Reserve	-219	0	0	0	0	0
IT Reserve	-291	-291	-291	-291	-291	-291
Actuarial Valuation Reserve	0	0	0	0	0	0
Earmarked Revenue Reserves	-6,486	-4,929	-4,349	-4,331	-4,331	-4,331
Police Fund - General Reserve	-5,773	-5,773	-5,773	-5,773	-5,773	-5,773
Total Reserves	-13,240	-10,928	-10,348	-10,330	-10,330	-10,804

- 11.6 The Strategy addresses specific (earmarked) and general reserves both for capital and revenue expenditure and considers the principles that should be applied to their usage. The Strategy requires the transfer of monies between reserves in future periods in order that those identified risks and issues are adequately provided for.
- 11.7 A key principle should be the avoidance or minimisation of extreme changes to available funding arising from one-off costs. Therefore, whilst the strategy should not be subject to frequent change the specific reserves should be dynamic and responsive to changing circumstances. The dynamic use of reserves can be an effective tool in medium term financial planning, if maintained at reasonable levels reflective of the scale of risk.
- 11.8 Use of reserves in supporting the revenue budget can also be an effective tool in allowing change to be implemented in a measured way to achieve future savings. However, it is important to recognise that without future savings, using reserves in this way only delays addressing budget shortfalls rather than providing solutions.

11.9 Cheshire Constabulary acts as lead force for several collaborations and where appropriate, holds reserves on behalf of all partners. Details can be found in the Reserves Strategy and Statement of Accounts.

12 HORIZON SCANNING

12.3 Although this current MTFS covers the period 2025 to 2030, there are a number of financial challenges that need to be considered within the context of this timeframe. The principal three are the Private Finance Initiative (PFI) contract for Headquarters, the delivery of the Estates Strategy and the Government's review of the formula funding.

12.4 The PFI contract ends in 2033 when the Headquarters building, and services are handed over to the Commissioner for a nominal fee. There are considerable estates, procurement, legal and financial work required in preparation for this and a PFI Board has been created to facilitate this change. PFI contracts when originally created were accompanied by specific Government grant and this will also conclude at the end of the contract. Provision will need to be made within the MTFS as it moves forward to recognise this and the change to associated costs.

12.5 As part of the funding proposals for the Estates Strategy, borrowing is required. The financial impact of this needs to be covered within the Capital, Medium Term Financial and Treasury Management Strategies going forward to ensure borrowing is taken at the optimum point and the consequential costs of interest and repayment built into the revenue budget.

12.6 Government funding is allocated to individual forces based on a formula which includes data such crime, population, and road networks. However, this formula has been in place for many years and has not been updated. Previous Governments have proposed that the formula is reviewed. Whether this is beneficial or adverse to the Constabulary is entirely down to how any new formula is created and implemented.

13 INDICATIVE CAPITAL PROGRAMME

13.3 In addition to the revenue budget, there is a proposed capital investment programme to maintain essential buildings, equipment, IT and vehicles together with new investment in priority areas. The funding of this programme comes from several sources including revenue funding set aside for capital purposes, use of reserves and other contributions. However, if this is not sufficient to fund the programme, any shortfall can be met by borrowing – although there is an annual cost to this in terms of interest and Minimum Revenue Provision (MRP) - setting aside funds to repay the loan.

13.4 As with the revenue budget, assumptions are required over the level of funding available for capital investment. General capital grant funding is no longer provided, and this is expected to be the case throughout the MTFS period. Therefore, funding will come from revenue contributions, capital receipts, reserves and borrowing. These have an impact on the revenue budget and are reflected in the figures shown in Table 1.

- 13.5 In line with the Capital Strategy, supported by specific strategies such as Estates and IT, the following table shows the proposed capital investment programme together with the associated funding. Final approval for each year's capital programme remains with the Commissioner as part of his budget setting process each January.

Table 2 Capital Strategy	2025/26	2026/27	2027/28	2028/29	2029/30
	£000	£000	£000	£000	£000
Annual Replacement Schemes:					
Fleet Vehicles	2,684	2,913	1,409	3,485	1,435
IT and Communications	1,345	1,470	1,545	1,570	1,445
New Schemes:	0	0	0	0	0
Estates - Maintenance & Environmental	635	950	525	325	100
Estates Strategy 2021-2031	5,900	7,730	0	0	0
IT and Communications	2,000	923	1,962	9,045	1,556
Operational Equipment	0	150	150	150	150
Collaboration/Funded Vehicles	801	422	392	500	340
Capital Expenditure	13,365	14,558	5,983	15,075	5,026
Financed by:					
General/Specific capital grants	0	0	0	0	0
Capital Receipts	4,320	4,375	500	0	0
Revenue Contributions to Capital	4,173	3,418	3,918	4,418	4,444
Revenue and Capital Reserves	26	280	0	0	100
External Contributions to Capital	329	60	167	213	102
HQ IT Reserve	280	280	280	280	280
Borrowing	4,237	6,145	1,118	10,164	100
Total Funding	13,365	14,558	5,983	15,075	5,026

- 13.6 All new capital bids are subject to the same rigour as revenue bids under PBB, together with challenge over existing capital programmes.

14 RISK ASSESSMENT

- 14.3 This Strategy contains the most up to date information and data available at the time of writing. However, it is important to note that the financial environment in which this is created is volatile and subject to material change. There are a number of financial risks that could alter key assumptions and therefore change the financial outlook. An assessment of these risks is set out below.

	Risk	Likelihood	Impact	Mitigating Action
1	Pay awards and inflation are higher than forecast	Possible	Very High	National negotiations and bids for funding to cover additional costs
2	Specific Government grants reduced/removed	Probable	High	Liaison with Home Office, review service provision linked to grants. Contribute to the Spending Review.

	Risk	Likelihood	Impact	Mitigating Action
3	Formula Funding Review	Probable	High	Regular monitoring of the national review; transitional arrangement
4	Capital Strategy – costs higher than expected	Possible	Medium	Projects reviewed to ensure costs are affordable. Borrowing costs match current interest forecasts
5	Ability to deliver planned savings	Possible	High	Clear processes are in place to monitor planned savings accepting in year demands and pressures. Monthly budget reports enable decisions to be made in a timely manner as required
6	PFI Expiry	Probable	Medium	Headquarters is a PFI building, with its contract ending 2033/34. Custody Suites were PFI, and that contract was ended a number of years ago. PFI grants for both schemes end in 2033/34. A PFI Expiry Board has been created to manage process chaired by Chief Executive.
7	Electric Vehicles & charging points – required infrastructure	Probable	High	Build into the relevant strategies and capital funding proposals
8	Emergency Services Network (ESN) – potentially by 2030	Possible	High	Build into the relevant strategies and capital funding proposals

14.4 Not all risks are identified here, the Strategic Risk Register is the primary document for the organisational risks, and it is maintained and reported on a regular basis. The table shows the main risk areas currently identified that could materially impact on the MTFS only.

15 CONCLUSION AND NEXT STEPS

15.3 The use of priority-based budgeting with its flexibility to increase or decrease services to match funding, in a way that clearly links to the Commissioner's priorities; Force Management Statement; demands and the Strategic Policing Requirement, allows more considered planning even in uncertain times.

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