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Cumbria Office of the Police and Crime Commissioner

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Budget 2020/21 and Financial Forecasts 2021/22 to 2023/24

Report of the Joint Chief Finance Officer

1. Purpose of the Report

1.1 The purpose of this report is to recommend to the Commissioner for approval the revenue and capital budget for 2020/21 and the level of council tax to support the budget. The report also provides provisional estimates for the three years to 2023/24, ensuring budget decisions are taken in the context of the medium term financial forecast.

2. Introduction

2.1 It is a legal requirement for the Police and Crime Commissioner to annually set a balanced budget and to allocate funds to the Chief Constable to secure the maintenance of the Police Force for Cumbria. In doing this the budget takes into account forecasts of the income anticipated to be available to the Cumbria police area and expenditure that is expected to be incurred in delivering the functions of the Commissioner and the priorities of the Police and Crime Plan. This report presents the Commissioner's revenue budget plans to meet these requirements.

2.2 This budget report is the second report in a series of papers that provide financial and other information to support the budget setting process. Earlier in February, more detailed financial and contextual information has been provided to the Police and Crime Panel. Accompanying the budget report on this agenda is a report covering the capital strategy and programme, treasury management strategy, Prudential Indicators and the policy on Minimum Revenue Provision (MRP). These reports support the due diligence in respect of the affordability of the capital programme and the revenue implications of that expenditure. The agenda includes the Joint Chief Finance Officer's statutory report on the robustness of the budget and a reserves strategy. The full suite of financial reports is available on the Commissioner's website.

3. Summary Budget and Precept

- 3.1 The table below sets out a summary of the consolidated budget setting out the plans for income and expenditure based on the 2020/21 government financial settlement for policing bodies. **Appendix A** sets out the budget for the Commissioner and the budget for the Chief Constable.

Medium Term Budget 2020 - 2024	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s
Police Pay - Police Officer Pay & Allowances	63,980	67,504	69,641	71,886	73,549
Police Pay - Contribution to Pension Fund A/c	22,915	24,923	26,506	21,215	21,215
Police Pay - Ill Health & Injury Pensions	1,211	1,247	1,271	1,297	1,323
PCSO Pay	2,738	2,272	3,495	3,562	3,631
Staff Pay	23,106	24,925	24,780	25,449	26,246
Other Employee Costs	1,346	1,750	1,939	1,972	1,982
Premises Costs	4,312	4,454	4,559	4,668	4,781
Transport Costs	2,297	2,458	2,529	2,602	2,678
Supplies & Services	10,644	11,213	11,235	11,460	11,689
Third Party Expenditure	2,192	2,194	2,238	2,283	2,329
LGPS Past Service Costs	503	22	23	23	24
Insurances/Management of Change	706	728	743	754	766
Commissioned Services	2,245	2,250	2,250	2,250	2,250
Accounting and Financing Costs	7,376	4,693	6,262	7,106	4,674
Contributions to Reserves Revenue	183	96	167	168	119
Total Expenditure	145,754	150,729	157,638	156,695	157,256
Funded by					
Home Office Pension Top Up Grant	(22,915)	(24,923)	(26,506)	(21,215)	(21,215)
Additional Pensions Grant	(1,200)	(1,174)	(1,174)	(1,174)	(1,174)
Other Grants & Contributions	(6,773)	(7,971)	(7,979)	(7,989)	(7,998)
Sales, Fees, Charges & Rents	(5,211)	(5,347)	(5,308)	(5,408)	(5,466)
Interest/Investment Income	(165)	(96)	(74)	(55)	(8)
Revenue Reserves Drawdown	(1,586)	(1,019)	(181)	(100)	(113)
Capital Reserves Drawdown	(4,162)	0	(1,575)	(2,425)	0
Formula Grant	(59,943)	(64,429)	(63,498)	(65,603)	(65,603)
Council Tax Income	(43,799)	(45,770)	(47,975)	(50,256)	(52,648)
Total Income/Funding	(145,754)	(150,729)	(154,270)	(154,225)	(154,225)
Net Savings Requirement	0	0	3,368	2,470	3,031

- 3.2 The table shows estimated expenditure based on the budget proposed by and agreed with Cumbria Constabulary. It also includes expenditure for services that will be commissioned with wider partners and the Constabulary in support of the priorities within the Police and Crime Plan. The budget plan provides estimated funding of £150.729m in 2020/21 to support an equivalent level of expenditure. Between 2021/22 and 2023/24 the gap between income and expenditure is expected to average

around £3.0m. This arises from the net impact of inflation and other expenditure pressures compared with the forecast growth in funding from Government Grant and increases in Council Tax Income.

- 3.3 For 2020/21 the Minister of State for Policing and Fire has again, allowed PCCs a degree of flexibility to increase council tax without the requirement to undertake a local referendum. In the funding announcement he gave PCCs the ability to increase the band D precept by up to £10 (for 2019/20 for the flexibility was given to increase by £24, in 2018/19 £12), for Cumbria this sum would represent an annual increase of 3.89%. In combination with the additional grant funding provided by the Government, the proposed increase in the council tax precept for policing of 3.47% has facilitated the recruitment of an additional 51 police officers, together with a small number of police staff enabling posts, which represents Cumbria's share of the first phase of Operation Uplift involving the recruitment of 6,000 officers nationally. This has the effect increasing the establishment of police officers from 1,145 to 1,216 FTE. The remainder of the proposed budget has been produced on a broadly continuation basis, which means that current levels of service have been maintained over the life of the four year forecast.

4. 2020/21 Policing Bodies Grant Settlement

- 4.1 On the 22nd January 2020 the funding allocations for policing bodies in England and Wales were announced, this announcement had been delayed from its usual publication in December as a result of the general election. The outcome of the settlement is a formula funding amount of £64.429m for the Cumbria police area for 2020/21, which represents an increase of £4.486m compared to the 2019/20 level of funding. The increase in grant is principally intended to enable the Constabulary to recruit additional officers, as the first phase of Operation Uplift (the Government's plan to recruit 20,000 additional officers by the end of 2022/23) and includes both revenue and capital elements. The MTFE assumes that grant funding beyond 2020/21 will increase in line with the Operation Uplift financial model, but that the level of core funding will be maintained on a flat cash basis for the 4 years of the MTFE.
- 4.2 The settlement confirmed that the current arrangements for formula funding and damping would continue for 2020/21. This means all policing bodies will continue to receive the same proportion of core Government funding as in 2019/20. It remain unclear whether the Government will re-visit the Home Office police funding formula in the next spending review, which will apply from 2021/22. In the absence of any firm indications on the timing and effect of any changes to the formula, for the purposes of the budget forecast, it has been assumed that this will have a neutral impact on Cumbria's core grant. The potential that changes to the formula may adversely affect the financial

outlook will, however, continue to be recognised in the risk register and will be monitored on an on-going basis.

- 4.3 In addition to the formula grant the Commissioner receives a number of specific grants for policing and crime. The key grants against which most funding is received are the Police Pensions Top-Up Grant (£25m), Home Office legacy Council Tax Grants of £4.85m, a specific pensions grant of £1.2m introduced in 2019/20 to offset increased police officer pension contributions and a specific grant of £1.4m, which is only receivable if the Constabulary delivers on its initial targeted increase in police officers (+51) as part of Operation Uplift. The Commissioner will also receive income of £0.59m to support responsibilities for commissioning support for victims and restorative justice. For the purposes of financial planning it is assumed that the legacy, pensions and victims grants will continue at their 2019/20 cash levels for the remainder of the MTFF.

5. Council Tax Income & Other Income

- 5.1 The net budget for the Cumbria Police area is funded by a combination of formula grant and Council Tax income. Income from Council Tax is dependent on a precept levied on each District Council in Cumbria. Total tax income is dependent upon the amount at which the precept is set, the number of properties charged (tax base) and the Police Area's share of any surplus or deficit on District Collection Funds. The Council Tax Base takes account of expected collection levels and discounts. The surplus or deficit position on each District Collection Fund reflects the extent to which actual collection and discounts have varied from the budget. Each precepting authority takes a share of the deficit or surplus pro-rata to their share of the precepts.

Council Tax 'Band B' is the band into which the highest number of properties in Cumbria fall, for this band the increase is £6.93 per annum or 13 pence per week (from £199.64 to £206.57 per annum).

- 5.2 The amount of the council tax precept is a decision for the Commissioner, who will take account of the views of the Chief Constable, the Police and Crime Panel and the results of a public consultation in making that decision. This is providing the proposal on the precept is within the Government's Council Tax increase limits. The limits are set by Government each year and inform the percentage increase in Council Tax income allowed before the Commissioner would need to hold a public referendum. The Government has formally announced the Council Tax increase limits as part of the formula grant settlement. As discussed above, the limit for Policing Bodies has been set at a maximum of £10 increase on a band D property for 2020/21. **The Commissioner's budget is based on a precept increase of 3.47%. The financial implications for residents are that the Band D Council Tax amount would increase to £265.59 for 2020/21, an increase of £8.91.**

5.3 Council tax income is forecast using the tax base estimates provided by district councils. Calculations of the tax base have taken into account billing authorities' responsibilities to support low income households with their council tax liabilities. This support is delivered by way of local schemes that provide discounts. The discounts reduce the tax base and therefore also impact precepting bodies. Schemes are subject to review and the Police and Crime Commissioner is required to be consulted with regard to scheme changes. The Commissioner has supported the schemes currently proposed by all districts through the consultation process.

5.4 The table below sets out the tax base for each district for 2020/21 and the tax base for the prior year. The table shows that the total tax base is estimated to increase by 1,676 band D equivalent properties. Budgets from 2021/22 are based on an assumed annual increase in the tax base of 0.75%. The actual updated tax base will be incorporated into future budgets in the year it is notified by districts. If the tax base increases above our estimates this will deliver a small budget benefit whilst a decrease from our estimates will have a negative impact on funding.

District	Tax Base 2019/20	Tax Base 2020/21	Increase (decrease)	% change
Allerdale Borough	30,662.47	30,905.23	242.76	0.79%
Barrow Borough	19,520.25	19,730.84	210.59	1.08%
Carlisle City	33,850.60	34,468.61	618.01	1.83%
Copeland Borough	20,557.70	20,838.01	280.31	1.36%
Eden District	20,615.78	20,741.45	125.67	0.61%
South Lakeland District	45,513.47	45,712.13	198.66	0.44%
Total	170,720.27	172,396.27	1,676.00	0.98%

5.5 In addition to the recurrent grant and tax base income, the 2020/21 budget is reduced by the net impact of a forecast deficit on the 2019/20 district collection funds. The table below shows the council tax attributable to each district for 2020/21 and the position on each district collection fund (surplus/deficit) for 2019/20.

Council Tax Income 2020/21	Tax base 2020/21	Precept (Band D) £	Council Tax Income £	Declared Surplus/ (Deficit)	Total 2020/21 £
Allerdale Borough	30,905.23	265.59	8,208,120.04	21,912.00	8,230,032.04
Barrow Borough	19,730.84	265.59	5,240,313.80	41,460.00	5,281,773.80
Carlisle City	34,468.61	265.59	9,154,518.13	32,705.00	9,187,223.13
Copeland Borough	20,838.01	265.59	5,534,367.08	33,760.00	5,568,127.08
Eden District	20,741.45	265.59	5,508,721.71	(52,400.00)	5,456,321.71
South Lakeland District	45,712.13	265.59	12,140,684.61	(93,867.00)	12,046,817.61
Total	172,396.27	265.59	45,786,725.35	(16,430.00)	45,770,295.35

- 5.6 In addition to formula funding and Council Tax income, the budget includes an amount of one off income to support one off expenditure achieved through a contribution from reserves. The funding available to support the budget is determined annually and takes account of the funding settlement, the need to provide for budget risks and any estimated under spend from prior years. In total the 2020/21 budget is supported by the use of £0.9m of earmarked revenue and capital reserves.
- 5.7 Fees and charges income is estimated to provide £5.3m in 2020/21 in support of expenditure. This income is primarily derived from reimbursements for services and officers provided to support national and regional policing requirements in addition to some income from driver awareness training and licensing. This income is generated on behalf of the Commissioner by the Constabulary and is netted off the overall funding provided to the Chief Constable.

6. Expenditure Budget & Savings

- 6.1 Gross expenditure of £150.729m can be supported by budgeted income in 2020/21. However, it is anticipated that in future years funding will fail to keep pace with expenditure pressures meaning that by 2023/24 £3.0m savings will be needed to offset rising costs. The key driver in the level of savings requirements is increasing inflationary pressure. Following the relaxation in public sector pay constraints, the medium term forecast assumes annual pay rises of 2.5%. Inflation on the majority of non-staff budgets has been set at 2% for the life of the medium term forecast in line with Bank of England estimates. Against this backdrop, all expenditure budgets are subject to rigorous scrutiny including an annual budget Star Chamber process, where budget holders are required to justify their budget requirements.
- 6.2 Recognising the need to make further budget savings in the medium term in order to deliver a balanced budget, the Commissioner and Chief Constable have engaged in a number of discussions to consider areas of the budget that will be targeted for reductions in expenditure. Whilst no firm

decisions have been made, initiatives, which will be explored as part of the Constabulary's Vision 2025 Strategy include, adjusting the workforce mix, consolidating functions to provide greater resilience, collaboration with other forces and other public sector bodies and realising benefits from investment in new technology.

7. Capital Funding & Expenditure

7.1 In addition to revenue grants the Commissioner also receives a small amount of annual capital funding that supports a capital programme. The programme is developed in consultation with the Constabulary who are the primary user of the capital assets under the ownership of the Commissioner. The budget benefits from £0.100m in capital grant to support capital expenditure from the 2020/21 settlement, which is significantly reduced (-73%) from the capital grant received in 2019/20 of £0.372m. Over recent years the level of capital grant has reduced significantly as a result of national top-slicing from capital allocations, contributing to a widening gap between the requirement for capital expenditure and capital funding. This has to be met by revenue contributions to capital, capital receipts from the disposal of property and the use of reserves. From 2020/21 the revenue budget contributes £3.5m to fund capital, this figure has increased from £1.8m in 2019/20. Over the four years of the medium term financial forecast, major capital schemes for ICT and estates are primarily funded through these revenue contributions, one off reserves and capital receipts. Beyond 2023/24 both reserves and capital receipts as sources of funding will be largely exhausted and as a result revenue contributions will be the primary source of capital funding.

8. Reserves and Balances

8.1 Over the life of the financial forecast total reserves are planned to reduce from £19.4m at the start of 2020/21 to £14.5m by end of March 2024, largely due to provision of funding to the support the capital programme. Of the remaining £14.5m, the general reserve of £3m is held for managing financial risks and unforeseen events, budget support, stabilisation and insurance reserves/contingencies of £9.0m provide further resilience, whilst a small number of other reserves are earmarked for specific purposes including pooled/partnership funds.

8.2 The agenda includes a separate paper, **The Reserves Strategy for 2020/21** (see item 11c). The reserves strategy, sets out the purposes for which the individual reserves are held and the planned movements over the life of the medium term budget.

9. Consultation & Value for Money

- 9.1 The Commissioner has undertaken consultation on the budget and the Police and Crime Plan in line with regulatory requirements. Public consultation has taken place through the Police and Crime Panel and with a specific survey on the Commissioner's website during the budget setting process for 2020/21. A total of 1,473 individuals responded to the survey and the outcome of public consultation has been that the majority of respondents (69%) have agreed with the proposal to increase council tax by £8.91 (3.47%) which is under the maximum allowed amount of £10 on a band D property. The Commissioner has also sought the view of the Chief Constable. The Police and Crime Panel voted to support the Commissioner's proposal at its meeting on 7th February 2020 and made a recommendation that the Constabulary aspire to recruit to the establishment provision of 95 PCSOs.
- 9.2 The Police and Crime Plan is underpinned by a performance framework that supports the Commissioner in holding the Chief Constable to account for delivering priorities and securing value for money. In developing the framework consideration is given to past performance, benchmarking against most similar forces, the level of officer and staffing resources that can be supported by the budget and the impact of the continuing implementation of the savings programme.

10. Summary

- 10.1 This report presents and explains the budget plans for the period from 2020/21 to 2023/24. The 2020/21 budget is balanced based on a precept increase of £8.91 for a band D property which equates to an increase of 3.47%. In future years savings will be required to offset a deficit of an average of £3.0m by 2023/24. The precept proposal will increase the annual Council Tax attributable to the Commissioner by £8.91 for a Band D property resulting in a Band D Council Tax charge of £265.59.

11. Recommendations

- 11.1 Appendix B sets out the budget resolution for decision by the Commissioner in order to formally approve the level of council tax precept. In the context of the budget resolution, it is recommended that:
- a) **The revenue budgets outlined in this report and appendices be approved, having regard to the Local Government Act 2003 report**
 - b) **That the budget requirement for 2020/21 be set on the basis of the amount within the budget resolution at appendix C**

- c) **The council tax for Band D properties be approved at £265.59 for 2020/21, an increase of £8.91.**

12. Acknowledgements

- 12.1 The budget is recommended to the Commissioner with recognition for the hard work and support of the financial services team who provide detailed income and expenditure forecasts and for the work of the Police and Crime Panel in providing challenge and scrutiny to the budget proposal.

Roger Marshall

Joint Chief Finance Officer

19 February 2020

Human Rights Implications

None identified

Race Equality / Diversity Implications

The budget is subject to an Equality Impact Assessment.

Risk Management Implications

There is a legal requirement to set a balanced budget. The Commissioner's strategic risk register recognises the importance of sound financial planning.

Financial Implications

The main financial impacts are described in the paper

Personnel Implications

As identified in the report

Contact points for additional information

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Budget for the Commissioner and the budget for the Chief Constable

Description	Base Budget 2019/20 £	Base Budget 2020/21 £	Base Budget 2021/22 £	Base Budget 2022/23 £	Base Budget 2023/24 £
Constabulary Funding					
Police Officer - Pay & Allowances	63,979,207	67,504,354	69,640,508	71,886,082	73,548,987
Police Officer - Contribution to Pension Fund A/c	22,915,000	24,923,000	26,506,000	21,215,000	21,215,000
Police Officer - Ill Health & Injury Pensions	1,211,319	1,246,534	1,271,465	1,296,895	1,322,833
Police Community Support Officers	2,738,236	2,272,442	3,494,714	3,562,082	3,631,135
Police Staff - Pay & Allowances	22,496,766	24,259,556	24,098,467	24,749,929	25,529,678
Other Employee Benefits	1,341,001	1,745,039	1,933,362	1,966,677	1,976,611
Transport Related Expenditure	2,292,794	2,453,549	2,524,137	2,597,347	2,673,157
Supplies & Services	10,529,007	11,094,206	11,113,271	11,335,537	11,562,248
Third Party Related Expenditure	2,188,724	2,178,139	2,221,702	2,266,137	2,311,460
Earned Income	(5,210,621)	(5,347,137)	(5,307,592)	(5,408,161)	(5,466,369)
Total Constabulary Funding	124,481,433	132,329,683	137,496,034	135,467,525	138,304,740
Commissioner's Budget					
Office of the Police & Crime Commissioner	749,008	822,715	842,275	862,309	882,832
Commissioned Services Budget	2,244,773	2,249,590	2,249,590	2,249,590	2,249,590
Premises Related Costs	4,310,486	4,452,921	4,558,171	4,666,436	4,779,821
LGPS Past Service Costs	503,400	22,300	22,800	23,400	24,000
Insurances & Management of Change	706,439	727,604	743,204	754,404	765,904
Accounting & Financing Costs	7,364,569	4,681,948	6,250,755	7,094,596	4,663,464
Contributions to Reserves Revenue	183,379	95,884	166,784	168,184	119,584
Grants & Contributions	(29,940,784)	(33,384,558)	(34,976,324)	(29,694,310)	(29,703,520)
Grants - Victims & Restorative Justice	(575,661)	(583,172)	(583,172)	(583,172)	(583,172)
Grants - Capital	(371,698)	(100,000)	(100,000)	(100,000)	(100,000)
Interest/Investment Income	(165,000)	(96,491)	(73,529)	(55,408)	(7,817)
Total Commissioner's Budget	(14,991,089)	(21,111,259)	(20,899,446)	(14,613,971)	(16,909,314)
Use of Reserves					
Revenue Reserve Drawdown	(1,586,210)	(1,018,941)	(181,204)	(99,978)	(113,198)
Capital Reserve Drawdown	(4,162,275)	0	(1,575,000)	(2,425,000)	0
Total Use of Reserves	(5,748,485)	(1,018,941)	(1,756,204)	(2,524,978)	(113,198)
Budget Requirement	103,741,858	110,199,483	114,840,383	118,328,576	121,282,228
Formula Grant & Council Tax Income					
General Police Grant	(59,942,966)	(64,429,188)	(63,498,166)	(65,602,866)	(65,602,866)
Council Tax Precepts	(43,798,892)	(45,770,294)	(47,974,705)	(50,255,926)	(52,648,004)
Total Formula Grant & Council Tax Income	(103,741,858)	(110,199,482)	(111,472,871)	(115,858,792)	(118,250,870)
Net Deficit/Savings Requirement	0	0	3,367,513	2,469,784	3,031,357
Council Tax per Band D Property	£256.68	£265.59	£276.21	£287.19	£298.62
Increase over previous year		£8.91	£10.62	£10.98	£11.43
Percentage Increase		3.47%	4.00%	3.98%	3.98%

Budget Resolution

Local Government Act 2003 Requirements: That the comments of the Joint Chief Finance Officer on the robustness of the estimates and adequacy of balances and reserves be noted and reflected in the decisions made by the Commissioner in making the following budget determination for 2020/21.

Revenue Estimates 2020/21: That the Commissioner's net **Budget Requirement** of £110,199,483 be approved.

Council Tax Base 2020/21: That it is noted that the Council Tax base has been calculated at the amount of 172,396.27 for 2020/21. This is the total of the tax bases calculated by the District Councils as required by regulation.

Budget Requirement: That the following amounts are calculated by the Commissioner for the 2020/21 financial year:

Ref	2020/21 Amount £s	Description
(a)	£150,633,898	being the total of gross expenditure
(b)	£40,434,415	being the total of income from specific grants, fees and charges and transfers from reserves
(c)	£110,199,483	being the Budget Requirement for the year to be met from Council Tax and External Finance
(d)	£64,429,188	being the total the Commissioner estimates will be received from external financing, being the Police Grant
(e)	-£16,430	being the net surplus/(deficit) on district collection funds
(f)	£45,786,725	being the council tax requirement (the budget requirement less the collection fund surplus and external finance)
(g)	£265.59	being the basic amount of Council Tax for the year (the council tax requirement divided by the tax base)

Valuation Bands and Calculation of the amount of Precept payable by each billing authority:

Valuation Band	Precept 2020/21 Amount £.pp	Proportion
Band A	177.06	6/9 ths
Band B	206.57	7/9 ths
Band C	236.08	8/9 ths
Band D	265.59	9/9 ths
Band E	324.61	11/9 ths
Band F	383.63	13/9 ths
Band G	442.65	15/9 ths
Band H	531.18	18/9 ths

Billing Authority	Tax Base 2020/21	Precept (Band D) £	Amount Payable £
Allerdale Borough	30,905.23	265.59	8,208,120.04
Barrow Borough	19,730.84	265.59	5,240,313.80
Carlisle City	34,468.61	265.59	9,154,518.13
Copeland Borough	20,838.01	265.59	5,534,367.08
Eden District	20,741.45	265.59	5,508,721.71
South Lakeland District	45,712.13	265.59	12,140,684.61
Total	172,396.27	265.59	45,786,725.35