



Peter McCall

Cumbria Office of the Police and Crime Commissioner

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Budget 2021/22 and Financial Forecasts 2022/23 to 2024/25

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 2021/22 and the level of council tax to support the budget. The report also provides provisional estimates for the three years to 2024/25, 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 2021/22 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 2021 - 2025	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s
Police Pay - Police Officer Pay & Allowances	67,504	69,370	71,274	74,509	77,102
Police Pay - Contribution to Pension Fund A/c	24,923	26,506	21,215	21,215	21,215
Police Pay - Ill Health & Injury Pensions	1,247	1,262	1,288	1,314	1,340
PCSO Pay	2,272	1,894	3,402	3,446	3,500
Staff Pay	24,925	25,972	26,362	27,487	28,256
Other Employee Costs	1,750	2,217	2,533	1,953	1,992
Premises Costs	4,454	4,571	4,679	4,793	4,910
Transport Costs	2,458	2,369	2,439	2,512	2,587
Supplies & Services	11,213	11,061	11,282	10,767	10,983
Third Party Expenditure	2,194	2,416	2,464	2,514	2,564
LGPS Past Service Costs	22	22	23	23	24
Insurances/Management of Change	728	909	920	931	943
Commissioned Services	2,250	2,216	2,216	2,216	2,216
Accounting and Financing Costs	4,693	5,311	8,921	4,665	4,895
Contributions to Reserves Revenue	96	96	96	46	46
Contributions to Reserves Capital	0	0	0	0	0
Total Expenditure	150,729	156,192	159,114	158,391	162,573
Funded by					
Home Office Pension Top Up Grant	(24,923)	(26,506)	(21,215)	(21,215)	(21,215)
Other Grants & Contributions	(9,145)	(8,604)	(8,611)	(8,620)	(8,629)
Sales, Fees, Charges & Rents	(5,347)	(5,261)	(5,108)	(5,158)	(5,319)
Interest/Investment Income	(96)	(10)	(10)	(10)	(10)
Revenue Reserves Drawdown	(1,019)	(449)	(235)	(170)	0
Capital Reserves Drawdown	0	(250)	(3,750)	0	0
Formula Grant	(64,429)	(68,491)	(72,570)	(72,570)	(72,570)
Council Tax Income	(45,770)	(46,621)	(47,615)	(48,560)	(49,691)
Total Income/Funding	(150,729)	(156,192)	(159,114)	(156,303)	(157,434)
Net Savings Requirement	0	0	0	2,088	5,139

- 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 £156.192m in 2021/22 to support an equivalent level of expenditure. In 2023/24 a budget gap arises of £2.1m and this increases to £5.1m in 2024/25. 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 2021/22 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 £15 (for 2020/21 for the flexibility was given to increase by £10, in 2019/20 £24, 2018/19 £12), for Cumbria this sum would represent an annual increase of 5.65%. In combination with the additional grant funding provided by the Government, the proposed increase in the council tax precept for policing of 2.47% has facilitated the recruitment of an additional 47 police officers, which represents Cumbria's share of the second phase of Operation Uplift involving the recruitment of 6,000 officers nationally. This has the effect increasing the establishment of police officers from 1,216 to 1,263 FTE, although actual officer numbers are anticipated to be above this figure. 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. 2021/22 Policing Bodies Grant Settlement

- 4.1 On the 17th December 2020 the funding allocations for policing bodies in England and Wales were announced. The outcome of the settlement is a formula funding amount of £68.490m for the Cumbria police area for 2021/22, which represents an increase of £4.061m compared to the 2020/21 level of funding. The increase in grant is principally intended to enable the Constabulary to recruit additional officers, as part of the second 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 MTFF assumes that grant funding in 2022/23 will increase pro rata in line with phase 3 of the Operation Uplift Programme model, but thereafter the level of core funding will be maintained on a flat cash basis for the remaining 2 years of the MTFF.
- 4.2 The settlement confirmed that the current arrangements for formula funding and damping would continue for 2021/22. This means all policing bodies will continue to receive the same proportion of core Government funding as in 2020/21. It remains unclear whether the Government will re-visit the Home Office police funding formula in the next spending review, which will apply from 2022/23. 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 (£27m), 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 £0.8m, which is conditional on the Constabulary delivering its targeted increase in police officers (+47) as part of phase 2 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 2021/22 cash levels for the remainder of the MTF.

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. In a change for 2021/22, the share of collection fund deficits arising in 2020/21 as a result of the worldwide covid-19 pandemic, will be spread equally over the following three years with the Commissioner being required to fund a third of the actual deficit for 2020/21 in three annual instalments. The Commissioner is expected to receive a government grant of 75% to offset these deficit amounts.

Council Tax 'Band B' is the band into which the highest number of properties in Cumbria fall, for this band the increase is £5.11 per annum or 10 pence per week (from £206.57 to £211.68 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 £15 increase on a band D property for 2021/22. **The Commissioner's budget is based on a precept increase of 2.47%. The financial implications for residents are that the Band D Council Tax amount would increase to £272.16 for 2021/22, an increase of £6.57.**

- 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 2021/22 and the tax base for the prior year. The table shows that the total tax base is estimated to reduce by 234 band D equivalent properties. In recognition of the likelihood that the council tax base would reduce as a result of the pandemic, the government has announced a council tax support scheme which police and crime commissioners can access. The government has indicated that the sum available to the PCC for Cumbria will amount to £781k. This funding has been included in the budget from 2020/21 and will be included in a reserve that will be drawn down in future years to negate the impact of the reduced taxbase. Budgets from 2022/23 are based on no assumed annual increase in the tax base. 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 2020/21	Tax Base 2021/22	Increase (decrease)	% change
Allerdale Borough	30,905.23	30,889.76	(15.47)	-0.05%
Barrow Borough	19,730.84	19,695.44	(35.40)	-0.18%
Carlisle City	34,468.61	34,666.41	197.80	0.57%
Copeland Borough	20,838.01	20,772.12	(65.89)	-0.32%
Eden District	20,741.45	20,741.45	0.00	0.00%
South Lakeland District	45,712.13	45,396.81	(315.32)	-0.69%
Total	172,396.27	172,161.99	(234.28)	-0.14%

- 5.5 In addition to the recurrent grant and tax base income, the 2021/22 budget is reduced by the net impact of a forecast deficit on the 2020/21 district collection funds. The table below shows the council tax attributable to each district for 2021/22 and the position on each district collection fund (surplus/deficit) for 2020/21.

Council Tax Income 2021/22	Tax base 2021/22	Precept (Band D) £	Council Tax Income £	Declared Surplus/ (Deficit)	Total 2021/22 £
Allerdale Borough	30,889.76	272.16	8,406,957	4,291	8,411,248
Barrow Borough	19,695.44	272.16	5,360,311	(60,614)	5,299,697
Carlisle City	34,666.41	272.16	9,434,810	(71,971)	9,362,839
Copeland Borough	20,772.12	272.16	5,653,340	1,931	5,655,271
Eden District	20,741.45	272.16	5,644,993	(25,432)	5,619,561
South Lakeland District	45,396.81	272.16	12,355,196	(82,275)	12,272,921
Total	172,161.99	272.16	46,855,607	(234,071)	46,621,537

- 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 2021/22 budget is supported by the use of £0.7m of earmarked revenue and capital reserves.
- 5.7 Fees and charges income is estimated to provide £5.3m in 2021/22 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 £156.192m can be supported by budgeted income in 2021/22. However, it is anticipated that beyond 2022/23 funding will fail to keep pace with expenditure pressures meaning that by 2024/25 £5.1m savings will be needed to offset rising costs. The key driver in the level of savings requirements is inflationary pressure. The budget and medium-term forecast is based on the Government's previously announced public sector pay freeze for 2021/22, but thereafter it is assumed that there will be pay rises averaging 2% per annum over the remainder of the forecast. 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 continue to 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 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 £0.097m in capital grant to support capital expenditure from the 2021/22 settlement. 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. For 2021/22 the revenue budget contributes £3.8m to fund capital, this figure has more than tripled over recent years and is expected to continue at a high level. 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 £19.9m at the start of 2021/22 to £15.3m by end of March 2025, largely due to provision of funding to the support the capital programme. Of the remaining £15.3m, 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 2021/22** (see item 09c). 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 2021/22. A total of 642 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 £6.57 (2.47%) which is under the maximum allowed amount of £15 on a band D property. The Commissioner has also sought the view of the Chief Constable. The Police and Crime Panel voted unanimously to support the Commissioner's proposal at its meeting on 28th January 2021.
- 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 2021/22 to 2024/25. The 2021/22 budget is balanced based on a precept increase of £6.57 for a band D property which equates to an increase of 2.47%. In future years savings will be required to offset the forecast deficit of £2.1m in 2023/24 and £5.1m per annum from 2024/25. The precept proposal will increase the annual Council Tax attributable to the Commissioner by £6.57 for a Band D property resulting in a Band D Council Tax charge of £272.16.

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 2021/22 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 £272.16 for 2021/22, an increase of £6.57.

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 2021

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 2020/21 £	Base Budget 2021/22 £	Base Budget 2022/23 £	Base Budget 2023/24 £	Base Budget 2024/25 £
Constabulary Funding					
Police Officer - Pay & Allowances	67,504,354	69,370,540	71,274,405	74,509,403	77,102,542
Police Officer - Contribution to Pension Fund A/c	24,923,000	26,506,000	21,215,000	21,215,000	21,215,000
Police Officer - Ill Health & Injury Pensions	1,246,534	1,262,613	1,287,866	1,313,624	1,339,897
Police Community Support Officers	2,272,443	1,893,869	3,401,723	3,446,250	3,500,243
Police Staff - Pay & Allowances	24,259,557	25,287,149	25,670,289	26,782,226	27,536,250
Other Employee Benefits	1,745,039	2,211,809	2,527,656	1,947,545	1,986,496
Transport Related Expenditure	2,453,549	2,365,626	2,435,666	2,508,243	2,583,464
Supplies & Services	11,094,206	10,931,144	11,149,767	10,632,543	10,845,194
Third Party Related Expenditure	2,178,139	2,404,892	2,452,990	2,502,050	2,552,091
Earned Income	(5,347,138)	(5,260,984)	(5,106,493)	(5,158,104)	(5,318,071)
Total Constabulary Funding	132,329,683	136,972,658	136,308,869	139,698,780	143,343,106
Commissioner's Budget					
Office of the Police & Crime Commissioner	822,715	846,580	856,587	872,788	891,064
Commissioned Services Budget	2,249,590	2,215,782	2,215,782	2,215,782	2,215,782
Premises Related Costs	4,452,921	4,569,451	4,677,942	4,791,557	4,908,448
LGPS Past Service Costs	22,300	22,300	22,900	23,500	24,100
Insurances & Management of Change	727,604	908,717	919,917	931,417	943,217
Accounting & Financing Costs	4,681,948	5,299,921	8,909,558	4,653,890	4,883,611
Contributions to Reserves Revenue	95,884	95,884	95,884	45,884	45,884
Grants & Contributions	(33,384,558)	(34,429,538)	(29,145,741)	(29,154,117)	(29,163,729)
Grants - Victims & Restorative Justice	(583,172)	(583,172)	(583,172)	(583,172)	(583,172)
Grants - Capital	(100,000)	(97,482)	(97,482)	(97,482)	(97,482)
Interest/Investment Income	(96,491)	(10,000)	(10,000)	(10,000)	(10,000)
Total Commissioner's Budget	(21,111,259)	(21,161,557)	(12,137,826)	(16,309,954)	(15,942,278)
Use of Reserves					
Revenue Reserve Drawdown	(1,018,941)	(449,080)	(235,407)	(170,381)	(250)
Capital Reserve Drawdown	0	(250,000)	(3,750,000)	0	0
Total Use of Reserves	(1,018,941)	(699,080)	(3,985,407)	(170,381)	(250)
Budget Requirement	110,199,483	115,112,021	120,185,636	123,218,446	127,400,579
Formula Grant & Council Tax Income					
General Police Grant	(64,429,188)	(68,490,485)	(72,570,485)	(72,570,485)	(72,570,485)
Council Tax Precepts	(45,770,295)	(46,621,536)	(47,615,151)	(48,560,320)	(49,691,115)
Total Formula Grant & Council Tax Income	(110,199,483)	(115,112,021)	(120,185,636)	(121,130,805)	(122,261,600)
Net Deficit/Savings Requirement	0	(0)	0	2,087,640	5,138,979
Council Tax per Band D Property	£265.59	£272.16	£277.56	£283.05	£288.63
Increase over previous year		£6.57	£5.40	£5.49	£5.58
Percentage Increase		2.47%	1.98%	1.98%	1.97%

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 2021/22.

Revenue Estimates 2021/22: That the Commissioner's net **Budget Requirement** of £115,112,021 be approved.

Council Tax Base 2021/22: That it is noted that the Council Tax base has been calculated at the amount of 172,161.99 for 2021/22. 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 2021/23 financial year:

Ref	2021/22 Amount £s	Description
(a)	£156,096,393	being the total of gross expenditure
(b)	£40,984,372	being the total of income from specific grants, fees and charges and transfers from reserves
(c)	£115,112,021	being the Budget Requirement for the year to be met from Council Tax and External Finance
(d)	£68,490,485	being the total the Commissioner estimates will be received from external financing, being the Police Grant
(e)	(£234,071)	being the net surplus/(deficit) on district collection funds
(f)	£46,855,607	being the council tax requirement (the budget requirement less the collection fund surplus and external finance)
(g)	£272.16	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 2021/22 Amount £.pp	Proportion
Band A	181.44	6/9 ths
Band B	211.68	7/9 ths
Band C	241.92	8/9 ths
Band D	272.16	9/9 ths
Band E	332.64	11/9 ths
Band F	393.12	13/9 ths
Band G	453.60	15/9 ths
Band H	544.32	18/9 ths

Billing Authority	Tax Base 2020/21	Precept (Band D) £	Amount Payable £
Allerdale Borough	30,889.76	272.16	8,406,957
Barrow Borough	19,695.44	272.16	5,360,311
Carlisle City	34,666.41	272.16	9,434,810
Copeland Borough	20,772.12	272.16	5,653,340
Eden District	20,741.45	272.16	5,644,993
South Lakeland District	45,396.81	272.16	12,355,196
Total	172,161.99	272.16	46,855,607