

Cumbria Office of the Police and Crime Commissioner

Police and Crime Panel 7 February 2020

Precept Proposal and Medium Term Budget 2020/21 to 2023/24

Report of the Joint Chief Finance Officer

1. Purpose of the Report

- 1.1. The purpose of this report is to provide for members of the Police and Crime Panel an overview of the medium term financial outlook. It includes the proposal for the precept that the Commissioner is presenting to the Panel for their views as part his budget setting process. This report comprises a high level analysis of the overall financial position in support of the precept proposal. Further detail and analysis on revenue and capital budgets, value for money and supporting information is provided in a series of accompanying separate reports on the agenda.

2. Precept Proposal

- 2.1. The precept proposal for 2020/21 is for an increase in precept of 3.47%. This is an increase of £8.91 per annum for a band D property and takes the total police element of the precept at band D to £265.59.

2019/20 Council Tax			Proposed 2020/21 Precept		
Council Tax Band	Calculation Proportion	Amount £s	Amount £s	Increase £s	Increase %
Band A	6/9 ths	171.12	177.06	5.94	3.47%
Band B	7/9 ths	199.64	206.57	6.93	3.47%
Band C	8/9 ths	228.16	236.08	7.92	3.47%
Band D	9/9 ths	256.68	265.59	8.91	3.47%
Band E	11/9 ths	313.72	324.61	10.89	3.47%
Band F	13/9 ths	370.76	383.63	12.87	3.47%
Band G	15/9 ths	427.80	442.65	14.85	3.47%
Band H	18/9 ths	513.36	531.18	17.82	3.47%

The Band D precept is proposed to increase to £265.59 which equates to £5.11 per week or £0.73p per day.

In Cumbria the largest number of properties fall into **Band B**. For that band, the precept is proposed to increase to £206.57 which equates to £3.97 per week or £0.57p per day.

- 2.2. For members information this report would normally include a summary of the precept intentions of other Police and Crime Commissioners. Due to the late grant settlement this year there hasn't been the opportunity for the Police and Crime Commissioners Treasurers Society (PACCTS) to survey its members as yet. The OPCC will endeavour to provide members with this information at the Panel's meeting.
- 2.3. Of the further sections within this report, and in support of this proposal, section three summarises for members for 2020/21 the main areas of income and expenditure within the budget, including the contribution made by council tax. Section four sets out the medium term financial position, explaining the gap between income and expenditure, this being a significant factor influencing the precept proposal. Section five highlights the implications of the overall reduction in the level of financial resources that will be available to police Cumbria and section six summarises some of the wider financial risks within the budgets.

3. The 2020/21 Budget

- 3.1. The net budget requirement comprising expenditure by the Police and Crime Commissioner and the Constabulary for 2020/21 is £111.599m. This is the total net expenditure funded externally by income from the Home Office Police Grant and Council Tax. It represents a real terms increase of income of 7.57% compared to 2019/20. The table and charts below set out the main areas of consolidated expenditure and income for the Commissioner and Constabulary.

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	69,640	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	24,866	24,720	25,387	26,183
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	11,202	11,223	11,448	11,677
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	150,659	157,565	156,621	157,181
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)	(6,570)	(6,579)	(6,588)	(6,598)
Sales, Fees, Charges & Rents	(5,211)	(5,310)	(5,270)	(5,370)	(5,427)
Interest/Investment Income	(165)	(140)	(115)	(115)	(115)
Revenue Reserves Drawdown	(1,586)	(943)	(181)	(100)	(113)
Capital Reserves Drawdown	(4,162)	0	(1,575)	(2,425)	0
Formula Grant	(59,943)	(65,829)	(64,898)	(67,003)	(67,003)
Council Tax Income	(43,799)	(45,770)	(47,975)	(50,256)	(52,648)
Total Income/Funding	(145,754)	(150,659)	(154,273)	(154,246)	(154,293)
Net Savings Requirement	0	0	3,292	2,375	2,888

Police Officer Pay

The figure in the table above for Police Officer Pay amounts to £93.674m. This can be divided into 3 segments:

- Police Pay and Allowances £67.504m, this includes salary and allowance payments made to police officers and employers contributions in respect of police pensions (at a contribution rate of 31% which amounts to £13.7m in 2020/21).
- Police Pensions Top Up Grant Transfer £24.923m which represents the transfer of Home Office Police Pension Top Up Grant to the **Police Pension Fund Account**.
- Ill Health/ Injury Pensions of £1.247m (explanation on page 4).

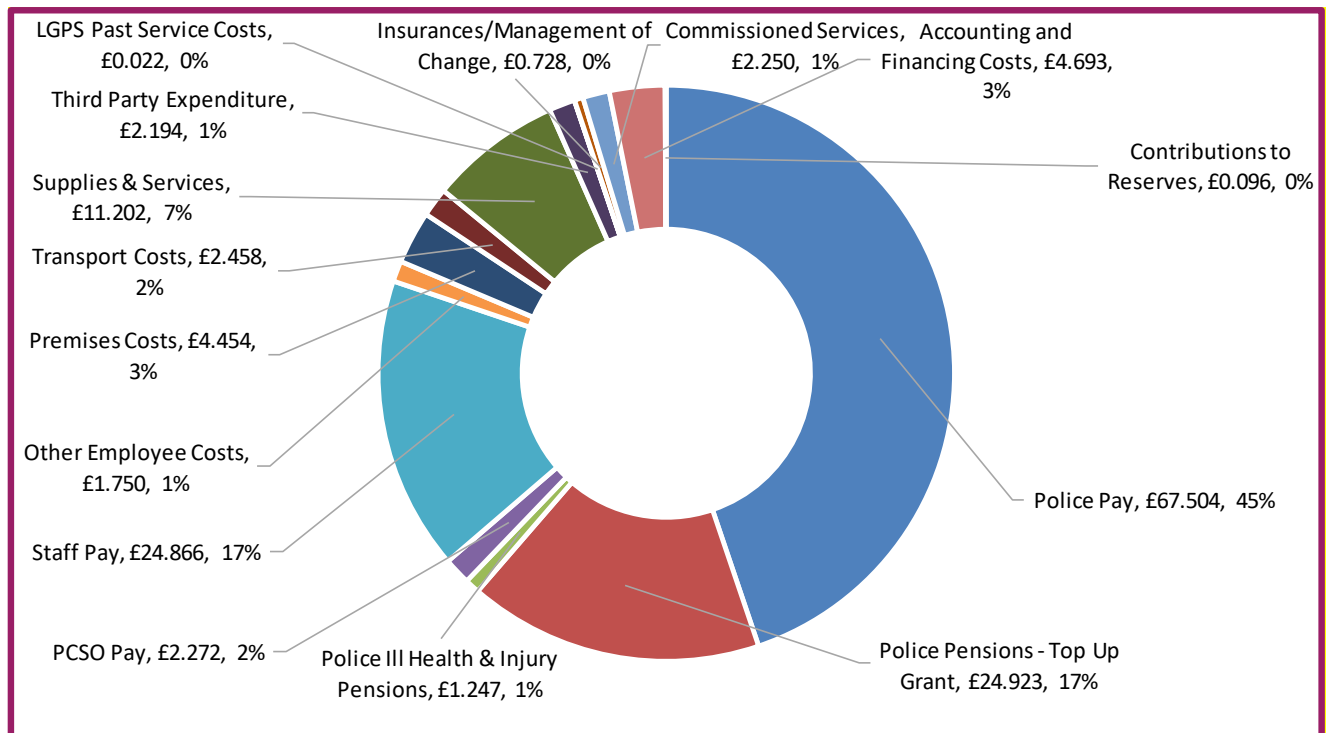
The Constabulary maintains a **Police Pension Fund Account**. From this account pension payments to former police officers are made. The payments are funded by employers and employee contributions from serving police officers and a top up grant received from the Home Officer (see separate line within income analysis).

LGPS Past Service Cost £22k

For the Local Government Pension Scheme (LGPS) which is the pension scheme for police staff and PCSOs, the PCC/Constabulary are required to pay past service contributions with the aim to reduce the pension deficit over the next 13 years.

The total expenditure for 2020/21 is shown graphically in the table below:

Expenditure 2020/21 £150.659m (figures in chart £m)



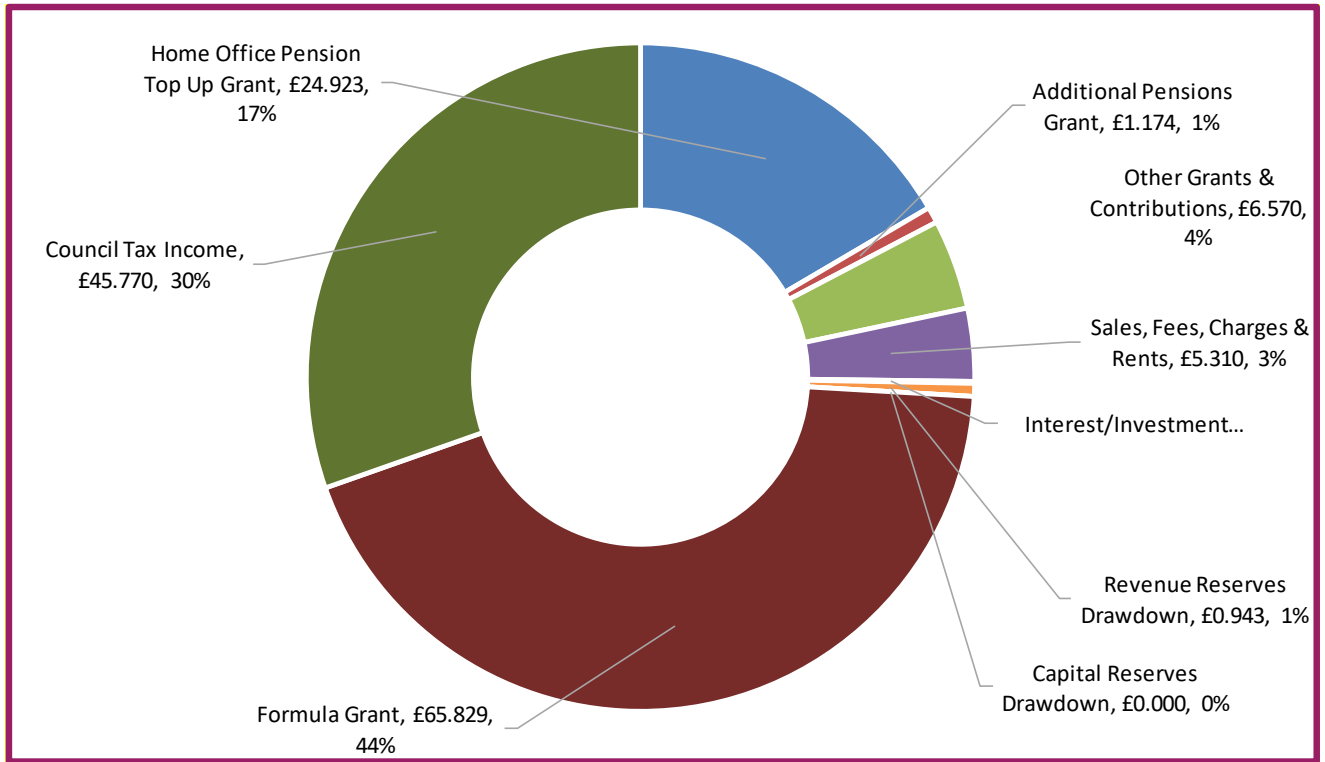
Police III Health & Injury Pensions £1.247m

These payments relate to officers that the Constabulary has been required to retire on ill health/injury grounds under pension regulations. These costs fall to be met by the Constabulary rather than the pension fund. The budget is made up of two main elements: Injury Allowance £0.766m, this represents the initial lump sum and ongoing payments made to officers who have been retired as a result of an injury on duty.

Ill Health pension capital equivalent charge £0.481m, whenever the Constabulary is required to retire an officer on ill health grounds, the Constabulary has to meet a capital ill health charge in respect of pensions. This payment amounts to approximately 2 years pay per officer (£80k). The budget assumes that there will be six such retirements in 2020/21.

The total funding and income for 2020/21 is shown graphically in the table below:

Income/Funding 2020/21 £150.659m (figures in chart £m)

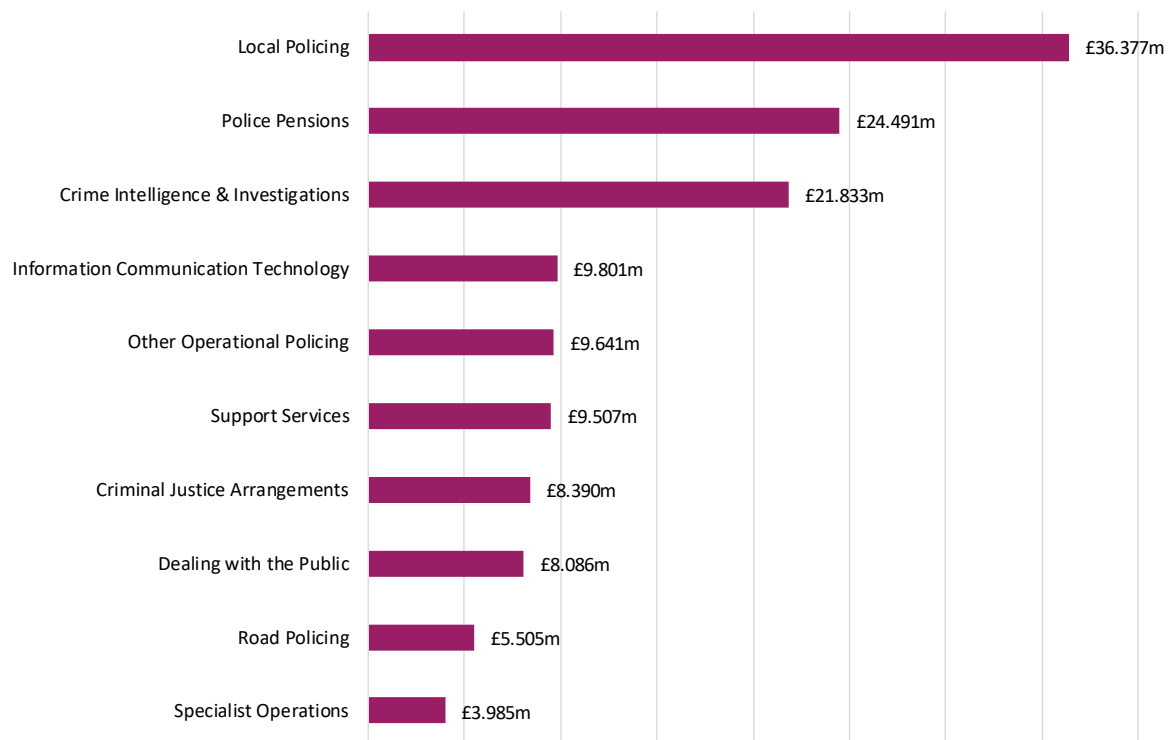


3.2. The significant proportion of expenditure within the 2020/21 budget provides for the costs of policing within Cumbria. The current budget aims to provide the Chief Constable with an expenditure budget of £132.308m. This provides for 1,216 police officers, which represents an increase of 51 compared to 2019/20 associated with Operation Uplift, and 95 PCSO's, which represents maintenance of the number of the established posts compared to 2019/20. Actual numbers of staff may fluctuate above and below the establishment depending on the pattern of recruitment, leavers and retirements. This funding provides for a range of policing services:

<p>Constabulary Net Budget 2020/21 Expenditure £137.618m. Earned Income (£5.3100m) Net Budget (£132.308m)</p>
--

The chart on the next page provides an illustration of the main areas of constabulary spend with a brief description of each item.

Constabulary Expenditure 2020/21 £137.618m



Local Policing – neighbourhood policing, incident management, community liaison, local command team and support overheads.

Police Pensions – this reflects the constabulary’s contribution to the police pension fund account to meet the pension deficit. A top up grant from the Home Office to offset this amount is received by the Commissioner.

Crime, Intelligence, Investigations and Public Protection - crime support command team and support overheads, major investigations unit, economic crime, serious and organised crime unit, public protection, local investigation, central intelligence, intelligence/threat assessments, covert policing, scenes of crime officers, external forensic costs, fingerprint/DNA bureau, photographic image recovery and other forensic services.

Information Communication Technology – includes the cost of the provision and support of a wide range of computer and communications systems to operational policing.

Criminal Justice Arrangements – custody/prisoner handling, criminal justice arrangements, Police National Computer, civil disclosure/criminal records bureau, coroner assistance, fixed penalty scheme/central ticket office.

Support Services – includes costs associated with providing business support to operational policing including HR, finance, legal, procurement, fleet, estates, press and media.

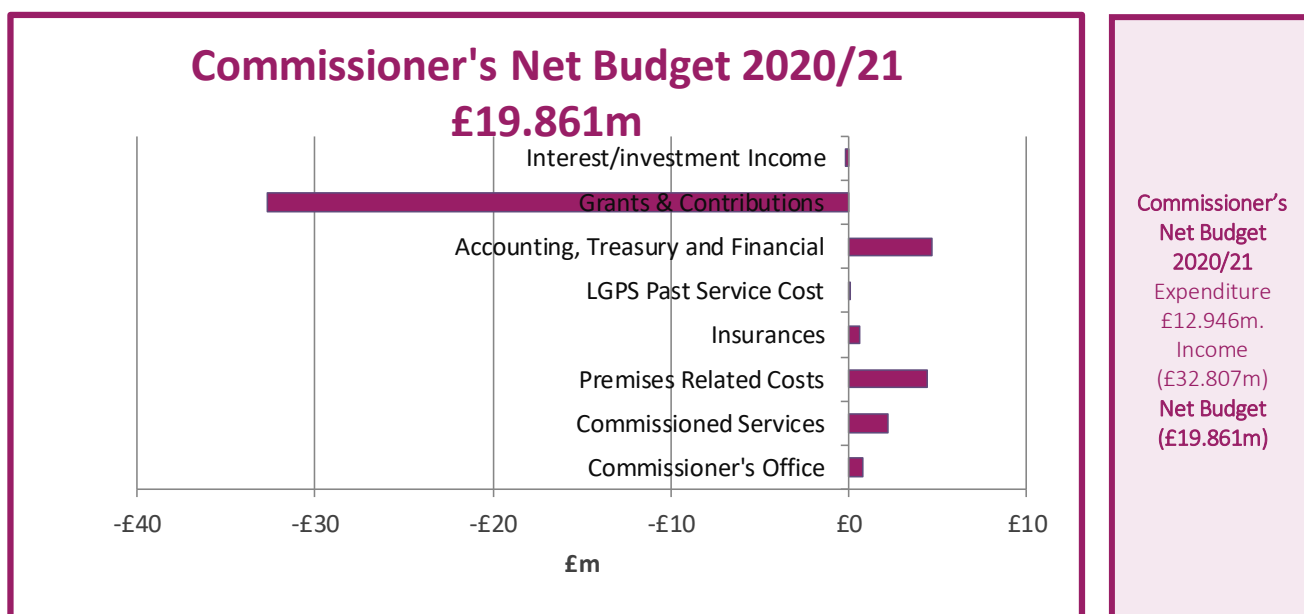
Dealing with the Public – local call centre/front desk, central communications unit.

Other Operational Policing – providing support to operational policing which includes transport costs, force command, professional standards and training.

Road Policing – traffic units, vehicle recovery, road safety partnership.

Specialist Operations – central operations command team and support overheads, underwater search/marine support, dogs sections, level 1 advanced public order, firearms unit, civil contingencies.

3.3. The balance of expenditure within the budget is managed by the Police and Crime Commissioner. The Commissioner's budgets include all the specific grants received from government and in overall terms, is a net income budget. It also includes expenditure on behalf of both the Commissioner and the Constabulary, for example the cost of the property estate, insurances and the capital financing that funds the capital programme to provide the ICT and fleet needed to deliver policing. The chart below sets out forecast income and expenditure for 2020/21.



3.4. Further detail on the Commissioner's budgets and the funding provided to the Constabulary, including the capital programme, is set out in the separate reports on this agenda. **Appendix A** provides the overall financial position for the next four years, setting out a summary of Constabulary budgets, the Commissioner's budgets, the use of reserves to fund this expenditure and the budget requirement funded by formula grant and council tax.

3.5. The 2020/21 budget includes a proposed increase in council tax of £8.91, arising from the Commissioner's precept proposal. The precept proposal for 2020/21 is for an increase in precept of 3.47%. This is an increase of £8.91 per annum for a band D property and takes the total police element of the precept at band D to £265.59.

3.6. The most significant feature of the 2020/21 Home Office grant settlement was the provision of £700m of additional funding nationally to forces to cover the first phase of 'Operation Uplift', which is the name given to the Government's plan to recruit an additional 20,000 officers by the end of the 2022/23 financial year. The funding was designed to not only meet the costs of officer salaries, but also those of enabling posts, non-staff costs and capital.

3.7. Whilst Operation Uplift funding has had the effect of increasing formula grant funding to Cumbria by £4.5m in 2020/21 and also provided a further £1.4m of grant conditional upon achievement of officer recruitment, the additional grants have been largely committed in recruiting an additional 51 police officers and associated police

staff and equipment. The precept proposal therefore aims to mitigate the impact of real term reductions in core government funding as the grant settlement makes little or no allowance for the effect of pay and price inflation on the cost of providing existing policing services.

- 3.8. The pay award for both police officers and staff in 2019 was 2.5% and the 2020/21 budget and MTFF are based on an assumption of continued pay increases of this level for the duration of the MTFF. A provision for general inflation of 2% pa is made within the forecast along with 5% for fuel. The combined effect has been to put a continued higher level of upward pressure on expenditure budgets than has been experienced since the start of the Government's austerity measures in 2011/12. Every effort is made to manage budgets including the Constabulary's Star Chamber process, which zero bases non staff expenditure, and detailed assessment of vacant posts prior to granting approval to recruit. However, after implementing these measures for several years the ability to fully offset the inflationary pressures described above without impacting on services is limited.
- 3.9. The proposed increase in council tax aims to utilise the flexibility afforded to Police and Crime Commissioners to raise income locally to support for the Constabulary in its efforts to maintain performance and keep Cumbria safe. Council tax increases, in combination with judicious use of reserves to support the budget, will help to manage budget pressures and therefore maintain services at a higher level than would otherwise be the case. However, there will still be a need to identify savings beyond 2020/21 to balance the budget over the period of the medium term financial forecast period.

4. The Medium Term Financial Forecast 2020/21 to 2023/24

- 4.1. Over the life of the medium term financial forecast the net cost of policing services (constabulary funding – **Appendix A**) is estimated to increase by £5.973m from the 2020/21 budget of £132.308m to £138.281m by 2023/24. This is because of the impact of increased officers and inflation on salary and supplies and services costs, in addition to the cost of pensions. Police pension's costs fluctuate year on year and to a large degree will be funded by a central government grant. Whilst other costs are subject to increase, work during the budget process has been undertaken to challenge requirements and reduce cost. Inflation on salary costs is provided for within the life of the medium term forecast at 2.5%. Inflation on supplies and services is provided for at 2% in line with Bank of England forecasts. Significantly, whilst budgets have received an inflationary uplift they have also been rigorously challenged through a Star Chamber of senior officers.

The current grant funding outlook beyond 2020/21 carries a high degree of uncertainty, as it will be dependent on the outcome of the Government's next Comprehensive Spending Review to be published in autumn 2020 and the allocation of resources in years 2 and 3 of Operation Uplift. By this time the short-term impact of Brexit on the public finances will also be becoming known and there is also the possibility that the Police Funding Formula

will be re-visited. Against the background of these uncertainties, a prudent assumption that formula grant will be uprated in line with the financial model which underpins Operation Uplift has been made, whilst core formula grant (excluding the effect of Operation Uplift) will be maintained at its 2020/21 cash level over the duration of the forecast. It has also been assumed that the pension grant of £1.2m which is currently only guaranteed in 2020/21 will ultimately be consolidated into main grant. In relation to council tax, for planning purposes an increase of 3.47% has been assumed for 2020/21, in line with the Commissioner's precept proposal, after which annual increases of 4% are assumed. These increases will be subject to further consultation with the Chief Constable, Police and Crime Panel and public.

The table below illustrates that the limited use of reserves amounting to £847k, in combination with the proposed increases in council tax, would enable the budget to be balanced in 2020/21. After this point the combination of the removal of the non-recurrent element of Operation Uplift grant, the increase in the need to fund capital expenditure from the revenue budget and impact of inflation relative to a small increase in annual funding, results in a budget deficit of £3.3m emerging from 2021/22.

Description	2019/20 £'s	2020/21 £'s	2021/22 £'s	2022/23 £'s	2023/24 £'s
Commissioner's Budgets	(15,174,468)	(19,861,470)	(19,718,789)	(13,453,112)	(15,747,730)
Constabulary Funding	124,481,433	132,307,599	137,473,271	135,444,062	138,280,558
Movement to /(from) Revenue Reserves	(1,402,831)	(846,646)	(14,420)	68,206	6,386
Movement to /(from) Capital Reserves	(4,162,275)	0	(1,575,000)	(2,425,000)	0
Net Expenditure	103,741,858	111,599,483	116,165,061	119,634,156	122,539,214
Funding					
Formula Grants/Funding	(59,942,966)	(65,829,188)	(64,898,166)	(67,002,866)	(67,002,866)
Council Tax	(43,798,892)	(45,770,294)	(47,974,705)	(50,255,926)	(52,648,004)
	0	0	3,292,191	2,375,364	2,888,343

- 4.2. In light of current demands on policing and enhanced scrutiny of the level of reserves held by policing bodies by central government, as part of the budget proposal, the Commissioner intends to make pro-active use of reserves. This will involve support both the revenue budget and capital programme, balanced against the need to retain some reserves to provide financial resilience to meet the costs of unexpected future events. A reserves plan is shown as **Appendix B** of this report.

5. Resourcing Implications of addressing the deficit

- 5.1. The Constabulary continues to work with the Commissioner to develop plans to deliver a number of strategic options for savings. The savings that need to be made over the life of this medium term financial forecast are in addition to savings of over £25m that have been delivered since 2010. Proposals need to address the potential future gap in funding but also the changing nature of police demand. Extensive work has been undertaken in recent years to understand the impact and resource implications of changing demand on police services and this is reviewed annually.
- 5.2. During 2017/18 the Constabulary developed its Vision 2025 Strategy, which is aligned to the national policing vision and aims to equip the force to deal with the emerging threats and challenges over the next decade. There are five key strands of the strategy, namely local policing, specialist capabilities, workforce, digital policing and business support, each of which is supported by objectives and a detailed work-plan. In 2019/20 work-streams within Vision 2025 were further developed, recognising that sustainability will be critical to the ultimate success of the strategy.
- 5.3. As part of the budget preparation process for 2020/21 a Change and Benefits plan has been developed and considered by both the Constabulary Chief Officer Group and the Commissioner's Executive Team. Potential opportunities to deliver savings and efficiencies with the aim of balancing the budget have been identified from aggregating functions to provide greater capacity, changing the workforce mix, making better use of management information, and, in particular, ensuring that benefits are realised from investment in new technology. However, with Commissioner elections due in 2020, it would be inappropriate to enact strategic changes to the service delivery model until a newly elected Police and Crime Commissioner is in place.
- 5.4. It should be recognised that having already delivered upwards of £25m of savings during austerity, achieving further savings to balance the budget over the medium term will be challenging. Savings plans are also likely to be constrained by the requirement to increase officer numbers to ensure that the Government achieves its Operation Uplift objective of increasing officer numbers nationally by 20,000. Given that police officers pay and other costs driven by officer activity constitute over 70% of the budget, this effectively means that future savings will need to be found from relatively small areas of the budget, many of which have already been reduced. The Commissioner and Chief Constable will therefore face difficult decisions to balance financial sustainability with continuing to deliver effective services.

6. Risks and Issues

- 6.1. When considering the risks and issues which may impact on the medium term financial forecast, there is an element of deja-vu in this report. The Government's Comprehensive Spending Review, which will be of critical importance in determining the future direction of funding for policing, and Brexit, the outcomes of which should

have been known by now, have both been deferred by a year. In addition, the question of the sustainability of a funding model, which relies substantially on local taxpayers to fund inflation and other cost pressures in policing remains just as pertinent now as it did last year.

- 6.2. The Medium Term Financial forecast is under pinned by a number of estimates, which, if they ultimately prove to be inaccurate, may affect the financial position. The provision for pay inflation has been reduced from 3% to 2.5% and is consistent with the 2019 pay awards for officers and staff and future forecasts of the wage rises. However, because pay constitutes such a large proportion of the overall budget even slight deviations from forecast pay rises can ultimately have a large impact on expenditure. In relation to non-pay inflation, there is a risk that this will exceed 2%, particularly in the short term for commodities and services priced in dollars such as fuel and ICT contracts, dependent on the outcome of Brexit trade talks and the resultant impact on the value of the pound. There are also some less material risks within the medium term forecast in respect of income. Budget assumptions from 2020/21 include an increase in the tax base for council tax income of 0.75% per annum but a council tax surplus is no longer assumed. These assumptions have been made in the context of reviewing historical trends and are considered prudent.
- 6.3. The assumption that core Government grant funding will remain as flat cash for the duration of the forecast is considered prudent and in line with recent grant settlements. It is also assumed that the £1.4m of funding for 2020/21, which is dependent on meeting Operation Uplift objectives, will be realised as the Constabulary is confident of achieving its target of recruiting 51 additional officers by the end of 2020/21.
- 6.4. In 2019/20 the Government increased the rate of police officer employer contributions to the pension fund from 24.2% to 31%. The Home Office and Treasury have provided Cumbria with £2.4m of additional funding, which offsets much of the additional pension cost, £1.2m of which is through a special pension grant. In the 2020/21 grant settlement, this was provided for a further year. Whilst the MTFF assumes that the additional funding will be continued beyond 2020/21, this is not guaranteed and will be considered as part of the wider CSR.
- 6.5. Also, in relation to pensions, new pension arrangements for both officers and staff implemented in 2015, with the aim of making public sector pensions affordable have recently been judged as breaking age discrimination legislation in a legal case known as 'McCloud'. It is unclear what action the Government intends to take in response to the ruling, but potential remedies are likely to be both complex and costly. No provision is made for the McCloud ruling in the MTFF as it is unclear what the cost will be and whether any additional costs will ultimately be met by Central Government.
- 6.6. There are a number of significant national policing initiatives, which will be implemented over the period covered by the MTFF including major ICT developments such as the Emergency Services Network (ESN) replacement for radios and a total re-vamp of police training under the Policing Education Qualifications Framework (PEQF). The

financial impact of these initiatives on individual forces are not fully known at this point. Whilst adequate provision has been made in the budget and capital programme, based on the best available information, there is potential for the ultimate costs to be higher than those estimated, which could impact on the wider budget.

- 6.7. Members have received regular updates over the last four years on progress of the police funding formula review. This represented the most significant risk to the financial forecasts, with the potential to challenge the ability to present a balanced budget in the longer term. Whilst progress on the funding formula remains substantially unaltered from the corresponding report last year, there has been growing impetus nationally over the last few months from some forces to consider the funding formula alongside Operation Uplift. There is a continuing recognition by the Home Office that the police funding formula is out-dated and no longer fit for purpose but, as yet, there is no indication from Government that there is a firm appetite to fundamentally review the formula at this juncture. The effect of any change in the funding formula therefore remains a risk in the medium term, however, given the uncertainty over the timing and implications of any future changes, it has been assumed that there will be no impact on the financial forecasts contained in this report.
- 6.8. In the context of increasing demand for policing services and having already delivered £25m of savings since 2010, as articulated earlier in this report, there is a risk that future savings will be difficult to deliver without adversely affecting front-line service delivery. The Constabulary is committed through the Vision 2025 programme, to critically examine its ways of working and striving for greater efficiency. The medium term savings requirement outlined in the financial forecast is considered challenging, but manageable.
- 6.9. The proposed annual increase in council tax alongside the impact of the tax base increases, will provide additional income of almost £2.0m in 2020/21. The council tax increases assumed over the life of the medium term budget have a cumulative annual impact of £8.9m. Whilst savings are still likely to be required in the medium term, the precept increase will support stronger financial resilience and ensure Cumbria Constabulary is better placed to deal with the totality of service and financial challenges than would otherwise be the case.
- 6.10. Whilst this report proposes a council tax increase of 3.47% for 2020/21, final decisions are subject to consultation with the public, the Police and Crime Panel and the Chief Constable and will be taken in the context of the confirmed budget settlements and feedback from Panel members following their February meeting.

Appendix A: Medium Term Financial Forecast 2020/21 to 2023/24

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	24,211,884	24,049,604	24,699,845	25,478,342
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	11,082,701	11,101,536	11,323,567	11,550,039
Third Party Related Expenditure	2,188,724	2,178,139	2,221,702	2,266,137	2,311,460
Earned Income	(5,210,621)	(5,310,044)	(5,269,757)	(5,369,570)	(5,427,006)
Total Constabulary Funding	124,481,433	132,307,599	137,473,271	135,444,062	138,280,558
Commissioner's Budget					
Office of the Police & Crime Commissioner	749,008	811,897	831,187	850,944	871,183
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)	(31,984,558)	(33,576,324)	(28,294,310)	(28,303,520)
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)	(140,000)	(115,000)	(115,000)	(115,000)
Total Commissioner's Budget	(14,991,089)	(19,765,586)	(19,552,005)	(13,284,928)	(15,628,146)
Use of Reserves					
Revenue Reserve Drawdown	(1,586,210)	(942,530)	(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)	(942,530)	(1,756,204)	(2,524,978)	(113,198)
Budget Requirement	103,741,858	111,599,483	116,165,061	119,634,156	122,539,214
Formula Grant & Council Tax Income					
General Police Grant	(59,942,966)	(65,829,188)	(64,898,166)	(67,002,866)	(67,002,866)
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)	(111,599,482)	(112,872,871)	(117,258,792)	(119,650,870)
Net Deficit/Savings Requirement	0	0	3,292,191	2,375,364	2,888,343
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%

Appendix B: Reserves Plan 2020-2024

Reserves Plan 2020 - 2024	Note	Actual	Forecast	Estimated	Forecast	Net	Forecast	Net	Forecast	Net	Forecast	Net	Forecast
		Balance	Transfers	Gain/(Use)	Balance	Gain/(Use)	Balance	Gain/(Use)	Balance	Gain/(Use)	Balance	Gain/(Use)	Balance
		31/03/19	2019/20	2019/20	31/03/20	2020/21	31/03/21	2021/22	31/03/22	2022/23	31/03/23	2023/24	31/03/24
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
General Reserve/Police Fund	1	3,000	0	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000
Total General Reserve/Police Fund		3,000	0	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000
Capital Reserves	2												
General Capital Reserve		3,215	(1,457)	(1,758)	0	0	0	0	0	0	0	0	0
HQ Refurbishments		294	0	0	294	0	294	0	294	0	294	0	294
Eden Deployment Centre		3,628	(3,628)	0	0	0	0	0	0	0	0	0	0
West Cumbria Estate		3,497	0	503	4,000	0	4,000	(1,575)	2,425	(2,425)	0	0	0
Total Capital Reserves		10,634	(5,085)	(1,255)	4,294	0	4,294	(1,575)	2,719	(2,425)	294	0	294
Budget Stabilisation/Insurance	3												
PCC Operational Reserve		250	0	0	250	0	250	0	250	0	250	0	250
Constabulary Operational Reserves		250	0	0	250	0	250	0	250	0	250	0	250
Chief Constable's Contingency		500	0	0	500	0	500	0	500	0	500	0	500
Insurance Reserve		1,223	0	46	1,269	46	1,315	46	1,361	46	1,407	46	1,453
Total Budget Stabilisation/Insurance Reserves		2,223	0	46	2,269	46	2,315	46	2,361	46	2,407	46	2,453
Budget Support Reserves	4												
Budget Support Reserve		2,839	5,085	(668)	7,256	(641)	6,615	0	6,615	0	6,615	0	6,615
Total Budget Support Reserves		2,839	5,085	(668)	7,256	(641)	6,615	0	6,615	0	6,615	0	6,615
Short Term Project Reserves	5												
PFI Lifecycle Replacements		274	0	0	274	0	274	0	274	0	274	0	274
Finance System Upgrade		6	0	(6)	0	0	0	0	0	0	0	0	0
Body Armour (Future Roll Out)		191	0	50	241	50	291	50	341	50	391	0	391
Cumbria Road Safety Initiatives		269	0	(221)	48	(23)	25	71	96	71	167	73	240
HQ Security		80	0	(80)	0	0	0	0	0	0	0	0	0
CS Change Manager		28	0	3	31	(31)	0	0	0	0	0	0	0
Business Intelligence		143	0	(113)	30	(30)	0	0	0	0	0	0	0
Red Sigma		407	0	(169)	238	(144)	94	(94)	0	0	0	0	0
Commissioned Services		1,816	0	(100)	1,716	(74)	1,642	(87)	1,555	(100)	1,455	(113)	1,342
Total Short Term Project Reserves		3,214	0	(636)	2,578	(252)	2,326	(60)	2,266	21	2,287	(40)	2,247
Total Earmarked Revenue Reserves		8,276	5,085	(1,258)	12,103	(847)	11,256	(14)	11,242	67	11,309	6	11,315
Total All Reserves	6	21,910	0	(2,513)	19,397	(847)	18,550	(1,589)	16,961	(2,358)	14,603	6	14,609

Note 1: **General Reserves** are held at £3m, this is based on an assumed level of approximately 3% of the Net Revenue Budget.

Note 2: **Capital Reserves**. The majority of capital reserves have been fully utilised during 2019/20, the exception to this is the reserve established for the West Cumbria Estate. A scheme is currently being developed for approval. At the point of writing this report the reserve is anticipated to be fully drawn down by March 2023.

Note 3: **Budget Stabilisation/Insurance Reserves** The Budget stabilisation reserves includes operational contingencies recommended by the Home Office Financial Management Code and operational reserves that make provision for a range of expenditure that has been reduced from annual budgets to achieve savings. For example, recurrent fuel budgets now exclude any provision for a severe winter. If this circumstance arises the estates budgets can draw down from the contingency which will be topped back up in the following year's budget process. All recurrent budgets have had general contingencies removed. The insurance reserve provides for uninsured costs beyond the amount of the actuarially assessed annual provision. These costs are charged to the budget and the reserve will be drawn down to meet those costs when they arise.

Note 4: **Budget Support Reserve**, this reserve has been established to provide support to the revenue budget in the shorter term and also to meet the costs associated with business change. See note #.

Note 5: **Short Term Project Reserves** primarily fund the one off revenue implications of approved capital schemes, usually concerning ICT. The Cumbria Road Safety Initiatives reserve is a partnership reserve held by the Commissioner on behalf of the Road Safety Partnership. This section also includes future liability reserves for areas within the budget where there is a future liability for which the amount or timing is uncertain for example the PFI lifecycle reserves match actual liabilities on the PFI contract reflected in the financial statements and the Body Armour reserve covers costs that do not arise on a recurrent annual basis e.g. the cyclical purchase of body armour.

Note 6: **Total Reserves** are currently showing a considerable change between 2019/20 and 2023/24. This is primarily as a result of the capital reserve established for Estates West Flood Management starting to be drawn down, this reserve is planned to be fully utilised by the end March 2023. Once this has been drawn down the balance on reserves will be £14.6m. By comparison, reserves at 1 April 2014 were £32.8m.

The medium term financial forecast for the revenue budget (contained within this report) shows an unbalanced budget arising from 2021/22. The cumulative balance of funding to be found in these 3 years is £8.6m. It is expected that this budget shortfall will be financed through a combination of the use of the budget support reserve and the generation of efficiency savings.