

Cumbria Office of the Police and Crime Commissioner

Police and Crime Panel 21st January 2019

Precept Proposal and Medium Term Budget 2019/20 to 2022/23

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 2019/20 is for an increase in precept of 10.29%. This is an increase of £23.94 per annum for a band D property and takes the total police element of the precept at band D to £256.68.

Council Tax Band	2018/19 Council Tax		Proposed 2019/20 Precept		
	Proportion	Council Tax Amount £	Council Tax Amount £	Increase £	Increase %
Band A	6/9 ths	155.16	171.12	15.96	10.29%
Band B	7/9 ths	181.02	199.64	18.62	10.29%
Band C	8/9 ths	206.88	228.16	21.28	10.29%
Band D	9/9 ths	232.74	256.68	23.94	10.29%
Band E	11/9 ths	284.46	313.72	29.26	10.29%
Band F	13/9 ths	336.18	370.76	34.58	10.29%
Band G	15/9 ths	387.90	427.80	39.90	10.29%
Band H	18/9 ths	465.48	513.36	47.88	10.29%

The Band D precept is proposed to increase to £256.68 which equates to £4.94 per week or £0.70p per day.

In Cumbria the largest number of properties fall into **Band B**. For that band, the precept is proposed to increase to £199.64 which equates to £3.84 per week or £0.55p per day.

2.2. At the time of writing this report, the Police and Crime Commissioners Treasurers Society (PACCTS) had surveyed its membership and had received responses from 36 out of a possible 42 forces. The survey revealed that:

- 31 forces indicated a planned precept of £24 (or within a few pennies) in 2019/20, many are still subject to public consultation. Of these:
 - 4 are “uncertain”,
 - 6 are “Treasurer’s plans”,
 - 10 are “Quite firm – recommended to PCC” and
 - 11 are “firm – accepted by PCC”.
- Of the remaining 5 who are not planning a £24 increase – all are proposing increases above £11.50.

2.3. Of the further sections within this report, and in support of this proposal, section three summarises for members for 2019/20 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 2019/20 Budget

3.1. The net budget requirement comprising expenditure by the Police and Crime Commissioner and the Constabulary for 2019/20 is £103.881m. 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 5.33% compared to 2018/19. The table and charts below set out the main areas of consolidated expenditure and income for the Commissioner and Constabulary.

Medium Term Budget 2019 - 2023	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s
Police Pay - Police Officer Pay & Allowances	59,085	63,980	65,538	67,463	68,946
Police Pay - Contribution to Pension Fund A/c	22,574	22,915	24,923	26,506	21,215
Police Pay - Ill Health & Injury Pensions	944	1,211	1,235	1,261	1,286
PCSO Pay	3,131	2,738	2,828	2,850	2,908
Staff Pay	21,264	23,089	23,578	24,178	25,029
Other Employee Costs	1,165	1,364	1,390	1,410	1,438
Premises Costs	4,047	4,312	4,271	4,373	4,478
Transport Costs	2,176	2,297	2,366	2,437	2,511
Supplies & Services	9,949	10,644	10,700	10,897	11,115
Third Party Expenditure	2,108	2,192	2,259	2,320	2,369
LGPS Past Service Costs	493	503	515	526	537
Insurances/Management of Change	657	706	718	739	755
Commissioned Services	2,246	2,245	2,245	2,245	2,245
Accounting and Financing Costs	11,553	6,109	4,831	6,255	6,415
Contributions to Reserves Revenue	113	183	96	96	96
Total Expenditure	141,505	144,488	147,493	153,556	151,343
Funded by					
Home Office Pension Top Up Grant	(22,574)	(22,915)	(24,923)	(26,506)	(21,215)
Additional Pensions Grant	0	(1,200)	(1,200)	(1,200)	(1,200)
Other Grants & Contributions	(6,961)	(6,773)	(6,788)	(6,803)	(6,818)
Sales, Fees, Charges & Rents	(4,784)	(5,211)	(4,845)	(4,792)	(4,887)
Interest/Investment Income	(75)	(165)	(140)	(115)	(115)
Revenue Reserves Drawdown	(12)	(1,447)	(276)	(123)	(29)
Capital Reserves Drawdown	(8,472)	(2,896)	0	(1,575)	(1,740)
Formula Grant	(58,710)	(59,943)	(59,943)	(59,943)	(59,943)
Council Tax Income	(39,917)	(43,938)	(46,321)	(48,737)	(51,188)
Total Income/Funding	(141,505)	(144,488)	(144,436)	(149,794)	(147,135)
Net Savings Requirement	0	0	3,057	3,762	4,208

Police Officer Pay

The figure in the table above for Police Officer Pay amounts to £88.106m. This can be divided into 3 segments:

- Police Pay and Allowances £63.980m, 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 £8.9m in 2019/20).
- Police Pensions Top Up Grant Transfer £22.915m which represents the transfer of Home Office Police Pension Top Up Grant to the **Police Pension Fund Account**.
- Ill Health/ Injury Pensions of £1.211m (explanation on page 4).

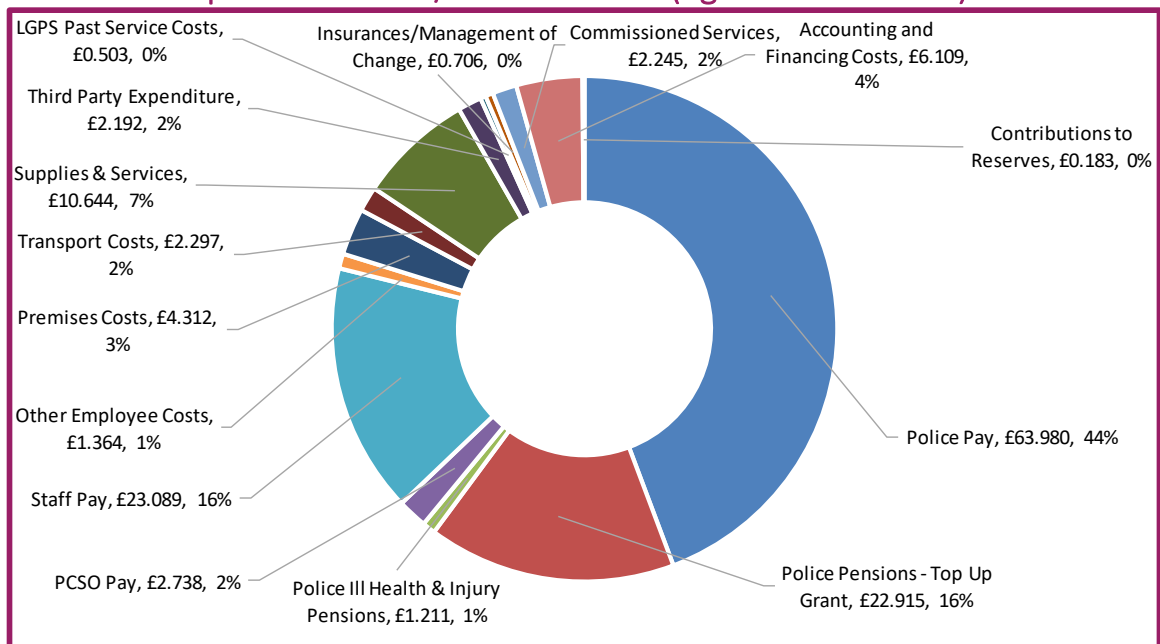
The Constabulary maintains a **Police Pension Fund Account**. From this account pension payments to former police officers are made. The payments are funded by employers and employee contributions from serving police officers and a top up grant received from the Home Officer (see separate line within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

LGPS Past Service Cost £503k

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 16 years.

The total expenditure for 2019/20 is shown graphically in the table below:

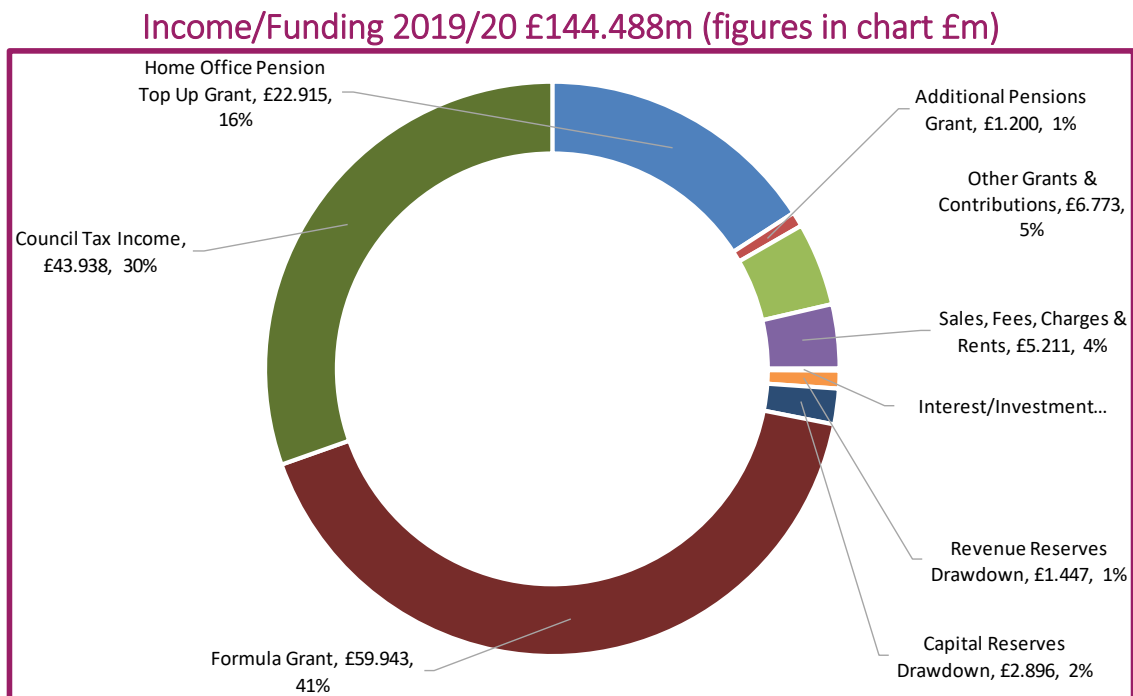
Expenditure 2019/20 £144.488m (figures in chart £m)



Police III Health & Injury Pensions £1.211m

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 £0.731m, 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 £0.480m, 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 2019/20 (increased from 3 in previous years).

The total funding and income for 2019/20 is shown graphically in the table below:

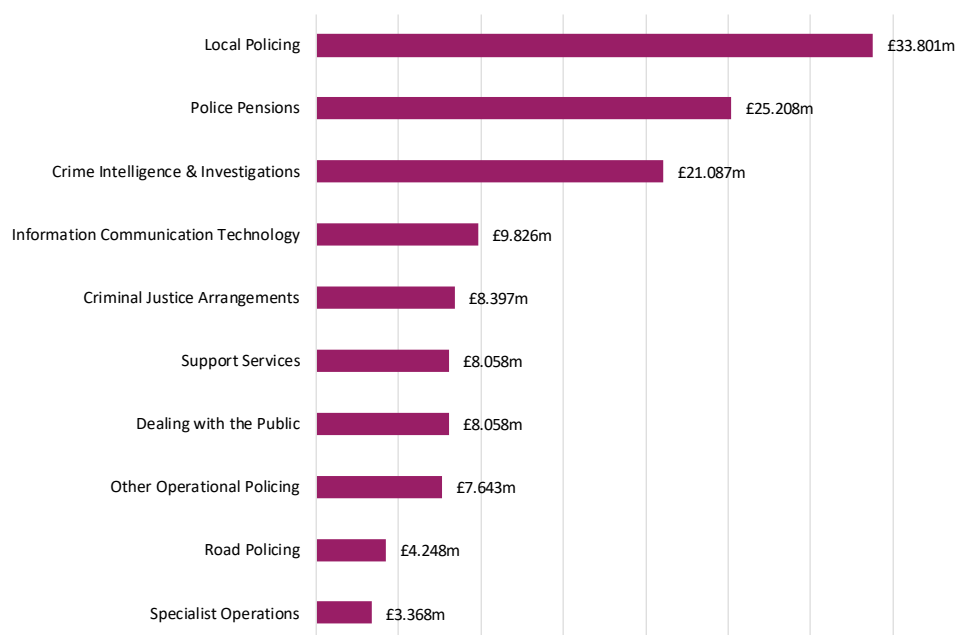


3.2. The significant proportion of expenditure within the 2019/20 budget provides for the costs of policing within Cumbria. The current budget aims to provide the Chief Constable with an expenditure budget of £129.692m. This provides for 1,165 police officers which represents an increase of 20 compared to 2018/19, and 95 PCSO's, which represents maintenance of the number of the established posts compared to 2018/19. 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 2019/20 Expenditure £129.692m. Earned Income (£5.211m) Net Budget (£124.481m)</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 2019/20 £129.692m



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.

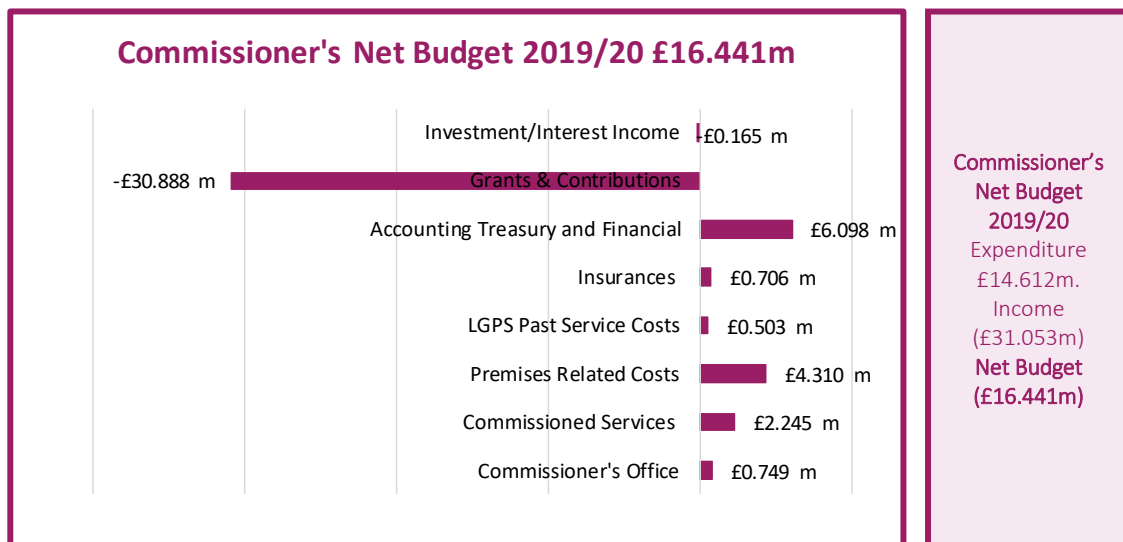
Dealing with the Public – local call centre/front desk, central communications unit.

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 2019/20.



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 2019/20 budget includes a proposed increase in council tax of £23.94, arising from the Commissioner's precept proposal. The precept proposal for 2019/20 is for an increase in precept of 10.29%. This is an increase of £23.94 per annum for a band D property and takes the total police element of the precept at band D to £256.68.

3.6. The precept proposal aims to mitigate the impact of real term reductions in government funding. The Home Office has increased formula grant funding to Cumbria by £1.23m and also provided a specific Pensions Grant of £1.17m in 2019/20. However, the additional grants have the effect of largely offsetting increased police officer pension costs, which have been imposed from 2019/20. Government grant funding therefore makes no allowance for the effect of pay and price inflation on the cost of providing policing services.

- 3.7. From 2017/18 the Government's public sector pay cap of 1% was removed. The pay award for officers in 2018 was 2%, however, this was lower than the 3% recommended by the Police Remuneration Review Body. The decision is now the subject of a judicial review. Against this background the 2019/20 budget and MTFF are based on an assumption of pay increases of 3% from 2019. In addition, general inflation has consistently exceeded 2% over the last year and may increase further in the short term, as a result of the effect of uncertainty over Brexit on the value of sterling. The combined effect has been to put more 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.
- 3.8. The proposed increase in council tax aims to utilise the greater 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. The council tax proposal will also facilitate modest investment in a further 20 police officers. This is in addition to the continuation of funding for the 25 additional officers provided during 2018/19 in local community policing, which is a high priority for the public. However, there will still be a need to identify savings towards the end of the medium term financial forecast period.

4. The Medium Term Financial Forecast 2019/20 -2022/23

- 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 £6.540m from the 2019/20 budget of £124.481m to £131.021m by 2022/23. This is because of the impact of 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 3%. 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.

- 4.2. The current grant funding outlook beyond 2019/20 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 2019. By this time the short-term impact of Brexit on the public finances will also be becoming known and ministers have also indicated they will re-visit the Police Funding Formula. Against the background of these uncertainties, an assumption that formula grant will be maintained at its 2019/20 cash level and that the pension grant will be consolidated into main grant for the duration of the forecast has been made. In relation to council tax, for planning purposes an increase of almost £24pa for a Band D property has also been assumed for 2019/20, after which annual increases will return to just below £12pa for a Band D property. These increases will be subject to further consultation with the Chief Constable, Police and Crime Panel and public. The forecast also recognises the need to provide additional support for the capital programme towards the end of the forecast period.
- 4.3. 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.
- 4.4. The table below illustrates that the use of reserves, in combination with the proposed increases in council tax, would enable the budget to be balanced in 2019/20. After this point the impact of inflation relative to a small increase in annual funding results in a budget deficit emerging from 2020/21. Under the Constabulary's change plans this will allow sufficient time to develop savings options to balance the budget over the longer term, linked to its Vision 2025.

Description	2018/19 £'s	2019/20 £'s	2020/21 £'s	2021/22 £'s	2022/23 £'s
Commissioner's Budgets	(9,904,791)	(16,441,035)	(19,714,248)	(19,707,573)	(14,116,155)
Constabulary Funding	116,902,124	124,481,433	129,215,101	133,752,191	131,128,111
Movement to /(from) Reserves	(8,370,619)	(4,159,195)	(179,651)	(1,602,588)	(1,672,984)
Net Expenditure	98,626,714	103,881,203	109,321,202	112,442,030	115,338,972
Funding					
Formula Grants/Funding	(58,710,055)	(59,942,966)	(59,942,966)	(59,942,966)	(59,942,966)
Council Tax	(39,916,659)	(43,938,237)	(46,321,258)	(48,737,564)	(51,187,520)
	0	(0)	3,056,978	3,761,501	4,208,487

- 4.5. For illustrative purposes, the tables below shows the effect of two alternative funding scenarios. In the first scenario all assumptions in the existing MTF are unchanged except that annual council tax increases are assumed at £12 per band D property for all years of the MTF including 2019/20. The effect is that the benefit of the additional 20 officers is lost and a savings gap of £1.4m emerges in 2019/20 rising to £5.6m by 2022/23. It is likely that a savings requirement of this magnitude would require a reduction in front-line personnel and service delivery to balance the financial position over the medium term forecast period.

Scenario Models – Variation 1 If CTax increase is £11.97 pa and additional 20 officers removed:

Description	2018/19 £'s	2019/20 £'s	2020/21 £'s	2021/22 £'s	2022/23 £'s
Commissioner's Budgets	(9,904,791)	(16,441,035)	(19,714,248)	(19,707,573)	(14,116,155)
Constabulary Funding	116,902,124	123,881,433	128,597,101	133,115,191	130,471,111
Movement to /(from) Reserves	(8,370,619)	(4,159,195)	(179,651)	(1,602,588)	(1,672,984)
Net Expenditure	98,626,714	103,281,203	108,703,202	111,805,030	114,681,972
Funding					
Formula Grants/Funding	(58,710,055)	(59,942,966)	(59,942,966)	(59,942,966)	(59,942,966)
Council Tax	(39,916,659)	(41,898,551)	(44,266,274)	(46,667,168)	(49,101,596)
Net Deficit / Savings Requirement	0	1,439,686	4,493,962	5,194,897	5,637,411

In the second scenario council tax increases are restricted to 2% per annum over the length of the forecast. The impact on the budget is even greater with the loss of the additional 20 officers accompanied by a budget gap of £2.7m in 2019/20 rising to £10.7m in 2022/23.

Scenario Models – Variation 2 If CTax increase is below 2% pa and additional 20 officers removed:

Description	2018/19 £'s	2019/20 £'s	2020/21 £'s	2021/22 £'s	2022/23 £'s
Commissioner's Budgets	(9,904,791)	(16,441,035)	(19,714,248)	(19,707,573)	(14,116,155)
Constabulary Funding	116,902,124	123,881,433	128,597,101	133,115,191	130,471,111
Movement to /(from) Reserves	(8,370,619)	(4,159,195)	(179,651)	(1,602,588)	(1,672,984)
Net Expenditure	98,626,714	103,281,203	108,703,202	111,805,030	114,681,972
Funding					
Formula Grants/Funding	(58,710,055)	(59,942,966)	(59,942,966)	(59,942,966)	(59,942,966)
Council Tax	(39,916,659)	(40,625,664)	(41,716,858)	(42,837,713)	(43,988,729)
Net Deficit / Savings Requirement	0	2,712,573	7,043,378	9,024,352	10,750,278

5. Resourcing Implications of addressing the deficit

- 5.1. The Constabulary is working 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 will be annually reviewed in future.
- 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 2018/19 work-streams within Vision 2025 were further developed and the governance structure re-aligned to focus on delivery of the Vision. There is a recognition that sustainability will be critical to the ultimate success of the strategy.

Aligned to this work a detailed Change and Benefits Plan has been developed as part of the budget preparation process for 2019/20. Opportunities to deliver savings and efficiencies 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. The Constabulary will continue to work with the Commissioner to further develop savings and efficiency plans as a means of balancing the budget in the medium term, which will be monitored through the Vision 2025 governance structure.

6. Risks and Issues

- 6.1. As noted through this report the production of the medium term financial forecast takes place against a backdrop of unprecedented economic uncertainty. The Government's Comprehensive Spending Review will be of critical importance in determining the future direction of funding for policing. In particular, the sustainability of a funding model, which relies entirely on local taxpayers to fund inflation, the financial effects of new legislation and service development will need to be addressed.
- 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 increase in pay inflation from 2% to 3% provided in this forecast mitigates, to a large degree, the risk that pay awards will exceed those assumed. However, there is a risk that non pay inflation will be above the 2% allowed particularly in the short term for commodities and services priced in dollars such as fuel and ICT contracts, which could be impacted by adverse currency fluctuations triggered by Brexit. There are also some less material risks within the medium term forecast in respect of income. Budget assumptions from 2019/20 include an annual surplus from district collection funds of £200k and an increase in the tax base for council tax income of 0.75% per annum. These increases have been made in the context of reviewing historical trends in income and the risk is considered acceptable.
- 6.3. From 2019/20 the Government has increased the rate of police officer employer contributions to the pension fund from 24.2% to 31%, as it aims to address the national budget deficit. For 2019/20 the Home Office and Treasury have provided Cumbria with £2.4m of additional funding, which offsets much of the additional pension cost. Whilst the MTFF assumes that the additional funding will be continued beyond 2019/20, this is not guaranteed and will be considered as part of the wider CSR.
- 6.4. 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.

Members have received regular updates over the last three years on progress of the police formula funding 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. The position regarding the funding formula review remains largely unaltered from that reported to members in the corresponding report last year. There is a continuing recognition by the Home Office that the police funding formula is out-dated and no longer fit for purpose. Accordingly, there is an intention for the Government to re-visit the funding formula once the CSR has been completed. The effect of any change in the funding formula remains a risk in the medium term, with any changes unlikely to be implemented until 2021/22. Given the uncertainty over the timing and implications of any future change to the formula, it has been assumed that there will be no impact on the financial forecasts contained in this report.

- 6.5. In the context of increasing demand for policing services and having already delivered £25m of savings since 2010, 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.
- 6.6. The proposed annual increase in council tax alongside the impact of the tax base increases, will provide additional income of £4.0m in 2019/20. The council tax increases assumed over the life of the medium term budget have a cumulative annual impact of £11.3m. 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.
- 6.7. Whilst this report proposes a council tax increase of 10.29% for 2019/20, 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 January meeting.

Appendix A: Medium Term Financial Forecast 2019/20 to 2022/23

Description	Base Budget 2018/19 £	Base Budget 2019/20 £	Base Budget 2020/21 £	Base Budget 2021/22 £	Base Budget 2022/23 £
Constabulary Funding					
Police Officer - Pay & Allowances	59,084,911	63,979,207	65,537,895	67,463,296	68,946,238
Police Officer - Contribution to Pension Fund A/c	22,574,000	22,915,000	24,923,000	26,506,000	21,215,000
Police Officer	944,199	1,211,319	1,235,546	1,260,257	1,285,463
Police Community Support Officers	3,131,356	2,738,236	2,828,384	2,850,236	2,907,744
Police Staff - Pay & Allowances	20,684,681	22,479,618	22,950,542	23,532,663	24,363,643
Other Employee Benefits	1,160,125	1,358,150	1,384,899	1,404,319	1,432,406
Transport Related Expenditure	2,171,152	2,292,794	2,361,384	2,432,482	2,506,196
Supplies & Services	9,827,801	10,529,007	10,583,016	10,778,177	10,993,741
Third Party Related Expenditure	2,108,051	2,188,724	2,255,685	2,316,279	2,365,029
Earned Income	(4,784,152)	(5,210,621)	(4,845,249)	(4,791,517)	(4,887,348)
Total Constabulary Funding	116,902,124	124,481,433	129,215,101	133,752,191	131,128,111
Commissioner's Budget					
Office of the Police & Crime Commissioner	722,694	749,008	769,858	791,309	813,376
Commissioned Services Budget	2,245,476	2,244,773	2,244,773	2,244,773	2,244,773
Premises Related Costs	4,045,455	4,310,486	4,269,848	4,371,550	4,476,201
LGPS Past Service Costs	492,600	503,400	514,500	525,900	537,500
Insurances & Management of Change	657,446	706,439	717,589	738,589	755,489
Accounting & Financing Costs	11,542,189	6,098,002	4,819,822	6,243,873	6,404,450
Contributions to Reserves Revenue	113,329	183,379	95,884	95,884	95,884
Grants & Contributions	(28,583,878)	(29,940,784)	(31,963,279)	(33,561,208)	(28,285,585)
Grants - Victims & Restorative Justice	(588,000)	(575,661)	(575,661)	(575,661)	(575,661)
Grants - Capital	(363,773)	(371,698)	(371,698)	(371,698)	(371,698)
Interest/Investment Income	(75,000)	(165,000)	(140,000)	(115,000)	(115,000)
Total Commissioner's Budget	(9,791,462)	(16,257,656)	(19,618,364)	(19,611,689)	(14,020,271)
Use of Reserves					
Revenue Reserve Drawdown	(12,307)	(1,446,866)	(275,535)	(123,472)	(29,304)
Capital Reserve Drawdown	(8,471,641)	(2,895,708)	0	(1,575,000)	(1,739,564)
Total Use of Reserves	(8,483,948)	(4,342,574)	(275,535)	(1,698,472)	(1,768,868)
Budget Requirement	98,626,714	103,881,203	109,321,202	112,442,030	115,338,972
Formula Grant & Council Tax Income					
General Police Grant	(58,710,055)	(59,942,966)	(59,942,966)	(59,942,966)	(59,942,966)
Council Tax Precepts	(39,916,659)	(43,938,237)	(46,321,258)	(48,737,564)	(51,187,520)
Total Formula Grant & Council Tax Income	(98,626,714)	(103,881,203)	(106,264,224)	(108,680,530)	(111,130,486)
Net Deficit/Savings Requirement	0	(0)	3,056,978	3,761,501	4,208,487
Council Tax per Band D Property	£232.74	£256.68	£268.65	£280.62	£292.59
Increase over previous year		£23.94	£11.97	£11.97	£11.97
Percentage Increase		10.29%	4.66%	4.46%	4.27%

Appendix B: Reserves Plan 2019-2023

Reserves Plan 2019-2023		Actual	Estimated	Forecast	Net	Forecast	Net	Forecast	Net	Forecast	Net	Forecast
		Balance	Gain/(Use)	Balance	Gain/(Use)	Balance	Gain/(Use)	Balance	Gain/(Use)	Balance	Gain/(Use)	Balance
		31/03/18	2018/19	31/03/19	2019/20	31/03/20	2020/21	31/03/21	2021/22	31/03/22	2022/23	31/03/23
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
	Note											
General Reserve/Police Fund	1	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000
Total General Reserve/Police Fund		3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000
Capital Reserves	2											
General Capital Reserve		5,922	(3,354)	2,568	(2,568)	0	0	0	0	0	0	0
Eden Deployment Centre		3,628	(3,300)	328	(328)	0	0	0	0	0	0	0
West Cumbria Estate		3,304	192	3,496	0	3,496	0	3,496	(1,575)	1,921	(1,740)	181
Total Capital Reserves		12,854	(6,462)	6,392	(2,896)	3,496	0	3,496	(1,575)	1,921	(1,740)	181
Budget Stabilisation/Insurance	3											
PCC Operational Reserve		250	0	250	0	250	0	250	0	250	0	250
Constabulary Operational Reserves		250	0	250	0	250	0	250	0	250	0	250
Chief Constable's Contingency		500	0	500	0	500	0	500	0	500	0	500
Insurance Reserve		1,162	46	1,208	46	1,254	46	1,300	46	1,346	46	1,392
Total Budget Stabilisation/Insurance Reserves		2,162	46	2,208	46	2,254	46	2,300	46	2,346	46	2,392
Budget Support Reserves	4											
Budget Support Reserve		2,469	(341)	2,128	(629)	1,499	0	1,499	0	1,499	0	1,499
Total Budget Support Reserves		2,469	(341)	2,128	(629)	1,499	0	1,499	0	1,499	0	1,499
Short Term Project Reserves	5											
PFI Lifecycle Replacements		289	0	289	0	289	0	289	0	289	0	289
Finance System Upgrade		6	(6)	0	0	0	0	0	0	0	0	0
Body Armour (Future Roll Out)		141	50	191	50	241	50	291	50	341	50	391
Cumbria Road Safety Initiatives		291	8	299	(200)	99	(58)	41	(37)	4	71	75
Injury Pensions		50	(50)	0	0	0	0	0	0	0	0	0
HQ Security		50	50	100	(100)	0	0	0	0	0	0	0
Anti Corruption Audit Tool		34	(34)	0	0	0	0	0	0	0	0	0
CS Change Manager		0	28	28	(28)	0	0	0	0	0	0	0
Workforce 2025		45	(45)	0	0	0	0	0	0	0	0	0
Business Intelligence		0	113	113	(113)	0	0	0	0	0	0	0
Red Sigma		0	371	371	(227)	144	(144)	0	0	0	0	0
Commissioned Services		1,504	(50)	1,454	(62)	1,392	(74)	1,318	(87)	1,231	(100)	1,131
Total Short Term Project Reserves		2,410	435	2,845	(680)	2,165	(226)	1,939	(74)	1,865	21	1,886
Total Earmarked Revenue Reserves		7,041	140	7,181	(1,263)	5,918	(180)	5,738	(28)	5,710	67	5,777
Total All Reserves	6	22,895	(6,322)	16,573	(4,159)	12,414	(180)	12,234	(1,603)	10,631	(1,673)	8,958

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

Note 2: **Capital Reserves.** The General Capital Reserve and the Eden Deployment Centre Reserve are expected to be fully utilised during 2019/20. The West Cumbria Estate Scheme is currently being development for approval within the capital programme. Once the scheme and timing of cash flows has been established the reserves plan will be updated to show the timing of the draw down in reserves. At the point of writing this report the reserve is anticipated to be fully drawn down by 2023/24.

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.

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 2018/19 and 2022/23. 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 2024. Once this has been drawn down the balance on reserves will be £8.8m. By comparison, reserves at 1 April 2014 were £32.8m.