



Peter McCall

POLICE, FIRE & CRIME
COMMISSIONER

Cumbria Office of the Police, Fire and Crime Commissioner

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Budget 2024/25 and Financial Forecasts 2025/26 to 2028/29

Report of the OPFCC Chief Finance Officer and Constabulary 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 2024/25 and the level of council tax to support the budget. The report also provides provisional estimates for the four years to 2028/29, 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, Fire 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 considers forecasts of the income anticipated to be available to Cumbria 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. In January, more detailed financial and contextual information was provided to the Police, Fire 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 OPFCC 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 2024/25 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 2024 - 2029	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s
Expenditure						
Police Pay - Police Officer Pay & Allowances	79,194	90,167	94,600	99,344	103,968	107,628
Police Pay - Contribution to Pension Fund A/c	17,129	16,840	15,968	14,835	13,901	13,282
Police Pay - Ill Health & Injury Pensions	1,341	1,215	1,233	1,251	1,270	1,289
PCSO Pay	2,257	1,921	2,339	2,370	2,414	2,455
Staff Pay	29,335	31,839	31,020	32,050	33,031	34,018
Other Employee Costs	3,147	2,388	2,327	2,320	2,352	2,371
Premises Costs	6,054	5,701	5,783	5,847	5,913	5,982
Transport Costs	2,558	2,662	2,707	2,754	2,801	2,851
Supplies & Services	11,251	12,586	13,029	13,161	13,390	13,696
Third Party Expenditure	4,124	4,483	4,516	4,557	4,609	4,680
LGPS Past Service Costs	(363)	(374)	(385)	0	0	0
Insurances/Management of Change	1,441	1,566	1,569	1,566	1,569	1,566
Commissioned Services	3,245	3,274	2,496	2,514	2,532	2,551
Council Tax Support for Care Leavers	16	16	16	16	16	16
Accounting and Financing Costs	5,013	3,233	2,328	3,427	3,052	3,829
Contributions to Reserves Revenue	46	46	46	46	46	46
Total Expenditure	165,788	177,563	179,592	186,058	190,864	196,260
Income & Specific Grants						
Home Office Pension Top Up Grant	(17,129)	(16,840)	(15,968)	(14,835)	(13,901)	(13,282)
Other Grants & Contributions	(12,098)	(17,143)	(16,241)	(15,861)	(15,590)	(15,605)
Sales, Fees, Charges & Rents	(5,418)	(4,991)	(4,991)	(5,061)	(5,203)	(5,256)
Interest/Investment Income	(400)	(400)	(400)	(400)	(400)	(400)
Revenue Reserves Drawdown	(3,788)	(4,884)	(3,801)	(2,209)	(39)	0
Capital Reserves Drawdown	(1,998)	(536)	0	(975)	0	0
Total Income & Specific Grants	(40,831)	(44,794)	(41,401)	(39,341)	(35,133)	(34,543)
Net Budget Requirement	124,957	132,769	138,191	146,717	155,731	161,717
External Funding						
Formula Grant	(72,875)	(77,191)	(77,963)	(78,743)	(79,530)	(80,325)
Council Tax Income	(52,082)	(55,578)	(58,025)	(60,434)	(62,886)	(65,381)
Total External Funding	(124,957)	(132,769)	(135,988)	(139,177)	(142,416)	(145,706)
Net Cumulative Deficit / Savings Requirement	0	0	2,203	7,540	13,315	16,011

- 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 **£177.563m** in 2024/25 to support an equivalent level of expenditure. In 2025/26 a budget gap arises of £2.2m and this increases to £16.0m by 2028/29. 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 2024/25 the Minister of State for Policing and Fire has again allowed PFCCs a degree of flexibility to increase council tax without the requirement to undertake a local referendum. In the funding announcement he gave PFCCs the ability to increase the band D precept by up to £13 for 2024/25 (for 2023/24 the flexibility was given to increase by £15), for Cumbria this sum would represent an annual increase of 4.36%. In combination with the additional grant funding provided by the Government, the proposed increase in the council tax precept for policing of 4.36% has facilitated the continuation of an additional 198 police officers, which represents Cumbria's share of the initial Operation Uplift (the programme to recruit 20,000 officers nationally) of 169 police officers plus a further 29 officers as part of the uplift plus scheme in support of the national effort. This has the effect increasing the establishment of police officers from 1,334 FTE to 1,363 FTE. The remainder of the proposed budget has been produced on a broadly continuation basis, which means that current levels of service have been maintained over the life of the five-year forecast.

4. 2024/25 Policing Bodies Grant Settlement

- 4.1 On the 14th December 2023 the funding allocations for policing bodies in England and Wales were announced. The outcome of the settlement is a formula funding amount of £77.191m for the Cumbria police area for 2024/25, which represents an increase of £4.316m compared to the 2023/24 level of funding. As 2024/25 represents the final year of the current Comprehensive Spending Review (CSR), there are currently no commitments to future years funding settlements. The MTFF assumes that core grant funding in 2025/26 and beyond will increase by 1% per annum and that specific ringfenced grants will remain static.
- 4.2 The settlement confirmed that the current arrangements for formula funding and damping would continue for 2024/25. This means all policing bodies will continue to receive the same proportion of core Government funding as in 2023/24. In 2021 the Home Office announced

its intention to re-visit the Home Office police funding formula, which is used to allocate funding across forces, for implementation as early as 2023/24. The implementation has been further delayed but the Government are still intending to consult on formula allocation methodologies in this parliament and are expected to provide exemplifications of funding levels using the new formula later in the year. 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 (£17m), Home Office legacy Council Tax Grants of £4.85m, a specific pensions grant of £3.8m to offset increased police officer pension contributions, a specific grant of £3.6m, which is conditional on the Constabulary maintaining its targeted increase in police officers (+169) as part of Operation Uplift and a further uplift grant of £0.8m to maintain and additional 17 FTE officers to further support the national uplift programme. The Commissioner will also receive income of £1.38m 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 pay award grants will continue at their 2024/25 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 Unitary 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 Unitary Council's Collection Funds. The Council Tax Base takes account of expected collection levels and discounts. The surplus or deficit position on each Council 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. For 2023/24 the district councils are collectively forecasting a deficit providing a combined deficit of £79k to be recovered from the Commissioner in 2024/25.

- 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, Fire 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 or fixed amount 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 £13 increase on a band D property for 2024/25. **The Commissioner's budget is based on a precept increase of 4.36%. The financial implications for residents are that the Band D Council Tax amount would increase to £310.05 for 2024/25, an increase of £12.96.**

Council Tax 'Band A' is the band into which the highest number of properties in Cumbria fall, for this band the increase is £8.64 per annum or 17 pence per week (from £198.06 to £206.70 per annum).

- 5.3 Council tax income is forecast using the tax base estimates provided by unitary 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, Fire and Crime Commissioner is required to be consulted with regard to scheme changes. The Commissioner has supported the schemes currently proposed by the unitary councils through the consultation process.
- 5.4 The table below sets out the tax base for each unitary authority for 2024/25 and the tax base for the prior year. The table shows that the total tax base is estimated to increase by 3,466 band D equivalent properties. Budgets from 2025/26 are based on an assumed annual increase in the tax base of 1%. The actual updated tax base will be incorporated into future budgets in the year it is notified by unitary councils. 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.

Council Tax Base	Tax Base 2023/24	Tax Base 2024/25	Increase (decrease)	% change
Cumberland Council	88,328.60	89,966.79	1,638.19	1.85%
Westmorland & Furness Council	87,714.75	89,542.67	1,827.92	2.08%
Total	176,043.35	179,509.46	3,466.11	1.97%

- 5.5 In addition to the recurrent grant and tax base income, the 2024/25 budget is reduced by the net impact of a forecast deficit on the 2023/24 unitary council collection funds. The table below shows the council tax attributable to each unitary authority for 2024/25 and the position on each authority collection fund (surplus/deficit) for 2023/24.

Council Tax Income	Tax base 2024/25	Precept (Band D) £	Council Tax Income £	Declared Surplus/ (Deficit)	Total 2024/25 £
Cumberland Council	89,966.79	310.05	27,894,203	(48,178)	27,846,025
Westmorland and Furness Council	89,542.67	310.05	27,762,705	(31,117)	27,731,588
Total	179,509.46	310.05	55,656,908	(79,295)	55,577,613

- 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 2024/25 budget is supported by the use of £5.4m of earmarked revenue and capital reserves to support specific projects.
- 5.7 Fees and charges income is estimated to provide £5m in 2024/25 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 £177.563m can be supported by budgeted income in 2024/25. However, it is anticipated that beyond 2025/26 funding will fail to keep pace with expenditure pressures meaning that by 2028/29 £16m 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 assumed increase for pay inflation at 2.5% in 2024/25, and 2% per annum thereafter. General inflation is included at 4% in 2023/24 and 2% thereafter in line with Bank of England estimates. Against this backdrop, all expenditure budgets are subject to rigorous scrutiny and many are zero based each year.

- 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 4Cs 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 The capital programme is developed in consultation with the Constabulary who are the primary user of the capital assets under the ownership of the Commissioner and primarily includes investment in ICT, fleet and estates. The programme has historically been funded by a combination of capital grants, capital receipts, reserves, support from the revenue budgeted and borrowing. Over recent years the level of capital grant has reduced significantly because of national top-slicing from capital allocations and in 2022/23 was removed from the finance settlement altogether. Beyond 2024/25 both reserves and capital receipts will be largely exhausted and as a result revenue contributions and borrowing will be the primary source of capital funding. In a change for 2024/25, to reduce the revenue budget gap over the medium term, the revenue contributions to the capital programme have been reduced to £500k per annum (previously £3.6m on average p.a.). The unfunded balance on the capital programme is now shown to be financed by a borrowing requirement over the longer 10-year timeframe. The revenue implications of this are included in the revenue budget.

8. Reserves and Balances

- 8.1 Over the life of the financial forecast total group reserves are planned to reduce from £24m at the start of 2024/25 to £12m by end of March 2029, largely due to provision of funding to the support the revenue budget over the next 3 years. Of the remaining £12m, the general reserve of £4m is held for managing financial risks and unforeseen events, budget support, stabilisation and insurance reserves/contingencies of £3m provide further resilience, a small

number of other reserves are earmarked for specific purposes including pooled/partnership funds £2m, whilst the Commissioner holds reserves of £3m to cover the longer-term implications of commissioning commitments.

- 8.2 The agenda includes a separate paper, **The Reserves Strategy for 2024/25** (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, Fire and Crime Panel and with a specific survey on the Commissioner's website during the budget setting process for 2024/25. A total of 715 individuals responded to the survey and the outcome of public consultation has been that 60% of respondents have agreed with the proposal to increase council tax by £12.96 (4.36%), which is under the maximum allowed amount of £13 on a band D property. The Commissioner has also sought the view of the Chief Constable. The Police, Fire and Crime Panel voted to support the Commissioner's proposal at its meeting on 31st January 2024.

- 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 2024/25 to 2028/29. The 2024/25 budget is balanced based on a precept increase of £12.96 for a band D property which equates to an increase of 4.36%. In future years savings will be required to offset the forecast deficit of £2m in 2025/26 rising to £16m per annum by 2028/29. The precept proposal will increase the annual Council Tax attributable to the Commissioner by £12.96 for a Band D property resulting in a Band D Council Tax charge of £310.05.

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 2024/25 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 £310.05 for 2024/25, an increase of £12.96.**

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, Fire and Crime Panel in providing challenge and scrutiny to the budget proposal.

Steven Tickner

Michelle Bellis

OPFCC Chief Finance Officer

Constabulary Chief Finance Officer

15 February 2024

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 2023/24 £000s	Base Budget 2024/25 £000s	Base Budget 2025/26 £000s	Base Budget 2026/27 £000s	Base Budget 2027/28 £000s	Base Budget 2028/29 £000s
Constabulary Funding						
Police Officer - Pay & Allowances	79,194	90,167	94,600	99,344	103,968	107,628
Police Officer - Contribution to Pension Fund A/c	17,129	16,840	15,968	14,835	13,901	13,282
Police Officer - Ill Health & Injury Pensions	1,341	1,215	1,233	1,251	1,270	1,289
Police Community Support Officers	2,257	1,921	2,340	2,370	2,414	2,455
Police Staff - Pay & Allowances	28,480	30,813	29,961	30,964	31,919	32,886
Other Employee Benefits	3,145	2,374	2,313	2,307	2,339	2,358
Transport Related Expenditure	2,555	2,658	2,703	2,749	2,797	2,847
Supplies & Services	11,091	12,329	12,804	12,932	13,156	13,458
Third Party Related Expenditure	4,112	4,471	4,505	4,545	4,597	4,668
Earned Income	(5,255)	(4,774)	(4,769)	(4,836)	(4,974)	(5,027)
Total Constabulary Funding	144,050	158,014	161,657	166,461	171,387	175,842
Commissioner's Budget						
Office of the Police, Fire & Crime Commissioner	880	1,119	1,116	1,144	1,170	1,194
Commissioned Services Budget	3,245	3,274	2,496	2,514	2,533	2,551
Premises Related Costs	6,053	5,699	5,781	5,846	5,911	5,981
LGPS Past Service Costs	(363)	(374)	(385)	0	0	0
Council Tax Support for Care Leavers	16	16	16	16	16	16
Insurances & Management of Change	1,441	1,566	1,569	1,566	1,569	1,566
Accounting & Financing Costs	5,002	3,211	2,306	3,404	3,030	3,807
Contributions to Reserves Revenue	46	46	46	46	46	46
Grants & Contributions	(29,228)	(33,983)	(32,209)	(30,696)	(29,491)	(28,886)
Interest/Investment Income	(400)	(400)	(400)	(400)	(400)	(400)
Total Commissioner's Budget	(13,307)	(19,825)	(19,665)	(16,561)	(15,617)	(14,125)
Use of Reserves						
Revenue Reserve Drawdown	(3,788)	(4,884)	(3,801)	(2,209)	(39)	0
Capital Reserve Drawdown	(1,998)	(536)	0	(975)	0	0
Total Use of Reserves	(5,786)	(5,420)	(3,801)	(3,184)	(39)	0
Net Budget Requirement	124,957	132,769	138,190	146,717	155,732	161,717
Formula Grant & Council Tax Income						
General Police Grant	(72,875)	(77,191)	(77,963)	(78,743)	(79,530)	(80,325)
Council Tax Precepts	(52,082)	(55,578)	(58,025)	(60,434)	(62,886)	(65,381)
Total Formula Grant & Council Tax Income	(124,957)	(132,769)	(135,988)	(139,177)	(142,416)	(145,707)
Net Cumulative Budget Deficit / Savings Requirement	0	0	2,203	7,540	13,315	16,011
Council Tax per Band D Property	£297.09	£310.05	£320.04	£330.03	£340.02	£350.01
Increase over previous year		£12.96	£9.99	£9.99	£9.99	£9.99
Percentage Increase		4.36%	3.22%	3.22%	3.12%	2.94%

Budget Resolution

Local Government Act 2003 Requirements: That the comments of the 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 2024/25.

Revenue Estimates 2024/25: That the Commissioner's net **Budget Requirement** of £132,768,685 be approved.

Council Tax Base 2024/25: That it is noted that the Council Tax base has been calculated at the amount of 179,509.46 for 2024/25. This is the total of the tax bases calculated by the Unitary Councils as required by regulation.

Budget Requirement: That the following amounts are calculated by the Commissioner for the 2024/25 financial year:

Ref	2024/25 Amount £s	Description
(a)	£177,516,924	being the total of gross expenditure
(b)	£44,748,239	being the total of income from specific grants, fees and charges and transfers from reserves
(c)	£132,768,685	being the Budget Requirement for the year to be met from Council Tax and External Finance
(d)	£77,191,072	being the total the Commissioner estimates will be received from external financing, being the Police Grant
(e)	(£79,295)	being the net surplus/(deficit) on unitary authority collection funds
(f)	£55,656,908	being the council tax requirement (the budget requirement less the collection fund deficit and external finance)
(g)	£310.05	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 2024/25 Amount £.pp	Proportion
Band A	206.70	6/9 ths
Band B	241.15	7/9 ths
Band C	275.60	8/9 ths
Band D	310.05	9/9 ths
Band E	378.95	11/9 ths
Band F	447.85	13/9 ths
Band G	516.75	15/9 ths
Band H	620.10	18/9 ths

Billing Authority	Tax Base 2024/25	Precept (Band D) £	Amount Payable £
Cumberland Council	89,966.79	310.05	27,894,203
Westmorland and Furness Council	89,542.67	310.05	27,762,705
Total	179,509.46	310.05	55,656,908