



Peter McCall

Office of the Police & Crime Commissioner

REQUEST FOR POLICE & CRIME COMMISSIONER DECISION - (N° 002 / 2019)

TITLE: 2019/20 Budget, Medium Term Financial Forecast and Reserves Strategy

Executive Summary:

The Commissioner is asked to approve the revenue budget, capital budget and reserves strategy for 2019/20 and the level of council tax to support the budget, having taken into account the advice of the Joint Chief Finance Officer in his report on the robustness of the proposed budgets. The papers provide provisional financial information for the years 2020/21 to 2022/23 and for 10 years in respect of the capital programme.

Recommendation:

The Commissioner is asked to note the attached Joint Chief Financial Officer's report on the robustness of the budget 'the Local Government Act 2003 Requirements' report (item 11a), taking into account his advice in respect of his decisions on the proposed budgets.

Appendix B of the attached report 'Budget 2019/20 and Financial Forecasts 2020/21 to 2022/2023' (item 11b) 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 the report and appendices be approved, having regard to the Local Government Act 2003 Requirements report
- b) That the budget requirement for 2019/20 be set on the basis of the amount within the budget resolution at appendix B
- c) The council tax for Band D properties be approved at £256.68 for 2019/20, an increase of £23.94 or 10.29%, being the amount within the budget resolution

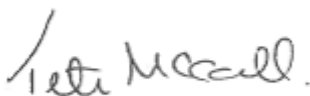
The commissioner is also asked to approve the Reserves Strategy for 2019/20 which is provided as a separate report (item 11c).

Police & Crime Commissioner

I confirm that I have considered whether or not I have any personal or prejudicial in this matter and take the proposed decision in compliance with the Code of Conduct for Cumbria Police & Crime Commissioner. Any such interests are recorded below.

I hereby approve/~~do not approve~~ the recommendation(s) above

Police & Crime Commissioner / ~~Chief Executive~~ (delete as appropriate)



Signature:

Date: 20th February 2019

PART 1 – NON CONFIDENTIAL FACTS AND ADVICE TO THE PCC

1. Introduction & Background

It is a legal requirement for the Police and Crime Commissioner to annually set a balanced budget and to allocate funds to the Chief Constable to secure the maintenance of the Police Force for Cumbria. The attached reports set out the proposed budgets and the advice of the Joint Chief Finance Officer regarding their approval.

2. Issues for Consideration

Please see attached reports. The Local Government Act 2003 report sets out the primary issues for consideration in approving the proposed budgets.

3. Implications (List and include views of all those consulted, whether they agree or disagree and why)

- 3.1. Financial: As set out in the attached reports
- 3.2. Legal: It is a legal requirement to annually set a balanced budget and determine the police precept.
- 3.3. Risk: The Local Government Act 2003 report documents the risks to the financial forecasts. Specific operational reserves and contingencies and general balances have been set at a level that in the view of the Joint Chief Finance Officer is reasonable in the context of those risks that it is possible to provide for. The budgets place reliance on the Home Office transition funding in respect of formula funding risks.
- 3.4. HR / Equality: The proposed budget provide resources used by the Constabulary. The Commissioner has arrangements in place to hold the Chief Constable to account in respect of the Public Sector Equality Duty. The budget is subject to an equality impact assessment. The 2019/20 budgets for the Constabulary provide resources to maintain establishment numbers.
- 3.5. I.T.: The budgets and capital programme are supported by a comprehensive ICT strategy. There are significant implications for ICT following from the investment proposed for both capital and revenue to support the delivery of the strategy.
- 3.6. Procurement: There are significant procurement implications arising from the budgets in respect of both revenue supplies and services expenditure and procurement of large capital estate and ICT schemes. A procurement strategy detailing the principles, which underpin procurement activity linked

to planned procurement in 2019/20, is included as part of the agenda (item 14). Procurement regulations require procurement business partners to lead and/or support business managers in any significant or complex procurement activity.

- 3.7. Victims: The budgets provide resources for commissioning victims services in addition to the resources for the continued provision of sexual assault referral services.

4. Backgrounds / supporting papers

The Local Government Act 2003 Requirements Report

Budget 2019/20 and Financial Forecasts 2020/21 to 2022/23

Public Access to Information Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the PCC website within 3 working days of approval. Any facts/advice/recommendations that should not be made automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would not compromise the implementation of the decision being approved.
Is the publication of this form to be deferred? NO
If yes, for what reason: Until what date (if known):
Is there a Part 2 form - NO (If Yes, please ensure Part 2 form is completed prior to submission)

ORIGINATING OFFICER DECLARATION:

I confirm that this report has been considered by the Chief Officer Group and that relevant financial, legal and equalities advice has been taken into account in the preparation of this report.

Signed: M. Bellis

Date: 20th February 2019

OFFICER APPROVAL

Chief Executive / Deputy Chief Executive (delete as appropriate)

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner / Chief Executive (delete as appropriate).

Signature:

Date:

Media Strategy

The decision taken by the Police & Crime Commissioner may require a press announcement or media strategy.

Will a press release be required following the decision being considered? YES

If yes, has a media strategy been formulated? YES

Is the media strategy attached? NO

What is the proposed date of the press release: 20th February 2019



Cumbria Office of the Police and Crime Commissioner

Public Accountability Conference 20 February 2019

Local Government Act 2003 Requirements Report

Report of the Chief Finance Officer

1. Introduction

1.1 The Local Government Act 2003 requires the Chief Financial Officer to report formally on the robustness of the budget for consideration immediately prior to setting the Budget and Council Tax. The report aims to ensure that the Commissioner is aware of the opinion of the Joint Chief Financial Officer regarding the robustness of the budget as proposed, including the longer term revenue and capital plans, the affordability of the capital programme when determining prudential indicators and the adequacy of general balances and reserves. The Commissioner is required to take account of this report when determining the budget.

2. Robustness of the Estimates, Medium Term Plans and Tax Setting Calculations

2.1 Preparation for the budget, including decisions on key budget assumptions, takes place between November and February, with the budget being set 14 months ahead of the end of financial year to which it relates. Whilst the final recommended budget will always take account of the latest forecasts, the nature of the budget cycle means that there will always be some level of variation between the budget and actual expenditure. This risk is managed by ensuring that the budget process and estimates are robust and that balances and reserves are set at a level that takes account of financial and operational uncertainty. In giving a positive opinion on the robustness of the estimates and tax setting calculations reliance is placed on the Commissioner's overall arrangements for financial management.

- 2.2 The process for preparing the estimates involves a budget proposal from the Constabulary. The proposal is supported by detailed financial estimates prepared in accordance with guidance issued by the Joint Chief Finance Officer. Estimates are prepared under the professional supervision of the Deputy Chief Finance Officer and Financial Services Manager and with the support of Financial Services Officers. Estimates are subject to scrutiny by financial services staff and the Constabulary's Chief Officer Group, including a series of budget star chambers, prior to submission to the Joint Chief Finance Officer for further review.
- 2.3 Working papers for review include a full reconciliation between the base budget for the previous financial year and the proposed budget for the new financial year for each section of the budget. This is accompanied by the detail of the management accounts. The working papers support an analytical review of the reasonableness of variations between financial years against budget assumptions. The overall budget consolidates the Constabulary's budget proposal with detailed estimates of the Commissioner's direct expenditure; budgets commissioned with other third parties and estimates of income. The most significant areas of income are in respect of government grant and council tax. The budget is calculated using actual information from the settlement and district notification of the tax base.
- 2.4 In addition to detailed estimates for the immediate financial year, a Medium Term Financial Forecast (MTFF) is prepared covering four financial years. Key financial risks identified within the forecast are included within the Commissioner's strategic risk register and are subject to review based on the likelihood and severity of the risk. This ensures that the medium term profile of income and expenditure is based on a sound review of risk and uncertainty that informs budget assumptions and the level of provisions and reserves.
- 2.5 Internal audit undertake cyclical reviews of the main financial systems and processes. Both internal and external audit provide an annual opinion on governance and internal controls. In addition, the external auditor undertakes a review of financial resilience as part of the value for money conclusion within the audit findings report. Collectively this work provides assurance with regard to the accuracy and reliability of the financial information used in the budget setting process.

- 2.6 On the basis of the overall arrangements for financial management, and audit of those arrangements, I can confirm that in my view the Commissioner has robust procedures in place for determining estimates, medium term plans and the Council Tax requirements.

3. Determination of the level of resources available

- 3.1 The resources available to the Commissioner to support expenditure primarily derive from Home Office Police Grant (£59.942m). The next most significant funding source is Council Tax (£43.799m). The balance of expenditure is funded from specific grants, reserves and fees and charges. The 2019/20 budget is based on actual government grant settlement figures and district notifications of the Council Tax base. As such, a high degree of assurance can be provided in respect of the level of certainty for 2019/20 in respect of funding. This level of assurance cannot be given to resources beyond 2019/20.
- 3.2 The level of future grant funding will be heavily influenced by the outcome of the next Government spending review, which is due to be announced in the autumn of 2019, by which time the immediate economic impact of Brexit should also be clearer. In the 2019/20 grant settlement the Government provided funding to offset much of the financial impact of increased police officer pension contributions applicable from 1st April 2019, however, there is no guarantee that this will be continued in future years. Collectively, these factors mean that the calculation of grant funding forecasts beyond the 2019/20 financial year are particularly uncertain.
- 3.3 In recent years the Government has protected police grant funding, but only on a cash basis, whilst providing Commissioners with increased flexibility to raise council tax to fund pay increases and inflation. In relation to future Council Tax forecasts, this gives rise to a risk regarding the sustainability of local taxpayers supporting above inflation precept rises to maintain services over the longer term. Accordingly, a prudent approach has been adopted in forecasting precept increases beyond 2019/20 in the Medium Term Financial Forecast.
- 3.4 Each of the key issues with regard to the availability of resources, and the approach taken to managing the associated financial risk, is set out below. It is my opinion that the approach taken, alongside the Commissioner's position with respect to reserves and balances, is both prudent and robust in view of the level of risk.

Police and Crime Panel Veto

3.5 The arrangements for budget setting provide the Police and Crime Panel with a veto over the level of precept increase. The panel may determine that the precept increase is too high or too low. In these cases, the Commissioner is required to either reduce or increase the precept. It is for the Commissioner to determine the extent to which the precept is revised, having taken into account the views of the panel. For the 2019/20 budget the panel determined not to exercise its powers of veto and the budget is presented on the basis of the precept proposal that was unanimously supported by the panel of a £23.94 increase on the band D council tax, which represents an increase of 10.29%. The position of the panel in respect of future year precept increases will not be known until January of the relevant financial year, presenting a risk in respect of the precept increase assumptions in the medium term budget.

Legacy Council Tax Grants

3.6 Council tax discounts are available to support low income households with the cost of their council tax liabilities. They are administered locally on the basis of schemes developed by district councils. Because these benefits were previously administered nationally, and the impact of the change reduces the local tax base and council tax income, a national government grant compensates precept and billing authorities for the funding loss. Further compensation is provided for financial years where decisions have been taken to freeze the council tax precept. Collectively these grants are known as Legacy Council Tax Grants. The amount of grant for Cumbria is £4.85m.

3.7 There is a level of uncertainty in respect of longer term methodologies for distributing this funding and the mechanism through which the total amount of grant funding will be determined nationally. In addition, the calculation of the total national funding and its distribution is based on a number of assumptions. Where local circumstances vary from these assumptions, there will be a financial implication.

3.8 The level of government grant is set at the time of the financial settlement. The main risk in respect of the level of national funding is therefore in respect of future years grant allocations and the extent to which this funding is impacted by overall reductions in government department expenditure allocations. It is also unclear whether any future national review of police funding will result in this and other specific grants being rolled into formula grant. This would result in a change in the distribution methodology with potential impacts from the 2020/21 settlement.

- 3.9 A further risk is the potential for an increase in local claims for council tax discount. Experience of the last three years suggests that this risk is low as the move to local schemes has not resulted in any significant changes between former benefit and current discount applicants. It is however, known that there are gaps between the proportion of households eligible for discounts and the proportion that actually claim. Should this risk materialise there will be an implication for the collection fund managed by districts that will be shared with all precepting bodies. A high level estimate of the impact of this risk suggests that a 10% increase in claims would have a financial implication of around £400k for the Commissioner's budget.

Council Tax Base & Collection Fund Surplus and Deficits

- 3.10 The amount of council tax income is dependent on the level of council tax and the council tax base – the number of households in Cumbria, within property bands A to G, with a liability to pay their council tax bill. The council tax base is known for 2019/20, but may go up or down compared to the forecasts for the three final years of the medium term financial forecast. The medium term forecast assumes an annual increase in tax base of 0.75%. The experience of previous years has been that the actual tax base has been higher than forecast resulting in a low risk to income. Estimates are revisited on an annual basis.
- 3.11 In any single year the actual council tax income collected from households by district councils can be higher or lower than the amount forecast at the time of setting the budget. Any variation is shared with precepting authorities and will impact on the total amount of council tax income in future years. The factors influencing the council tax base and actual income collected are complex and difficult to forecast. There is therefore always a risk that income does not meet budgeted amounts. This is however considered to be a small risk as more recent trends, following council tax localisation, has been for actual income to exceed the forecast, this was the case up until 2018/19 where a small shortfall has been declared. The MTFE currently assumes a surplus of £200k per annum beyond 2019/20, which will be reviewed on an annual basis.

Council Tax/Council Tax Grant Risk

- 3.12 Collectively, the factors above mean that the ability to accurately forecast council tax income and the local council tax grant, in the medium term, is complex, reducing the amount of assurance that can be provided from income forecasts particularly beyond 2020/21. However, a high degree of assurance can be provided with regard to the combined income from council tax and council tax grants for the current year. Whilst future income is less certain the finance

team liaise closely with District Council's when setting these budgets to minimise the extent of this risk. Should any underachievement of income arise it is likely to be capable of being managed without having a material impact on the robustness of the budget or financial resilience.

National Funding Settlements

3.13 The budget for 2019/20 is presented based on notifications of the actual financial settlements. Beyond 2019/20 financial forecasts are based on estimates. The current medium term forecast assumes that the level of Government funding will be maintained at the level provided for 2019/20 on a flat cash basis.

3.14 This strategy carries some level of risk, making the assumption that any changes to formula funding will have a neutral impact on the budget or will be supported by sufficient transitional funding to allow time to implement required changes in operational services. This is considered to be a balanced approach given the high level of uncertainty regarding the timing and impact of changes to national funding formula.

Capital Grants and Capital Receipts

3.15 The capital budget has been developed as a 10 year programme. Government capital allocations are only given on an annual basis and the resources from 2019/20 have therefore been prudently based. Overall funding within the programme is reliant on capital receipts and this presents some risk to funding given the economic climate and market conditions. Capital reserves are however managed at a level to ensure that the programme is balanced for four years. This provides a high degree of resilience in respect of available funding over the life of the medium term financial forecast.

4. The affordability of Spending Plans

4.1 Revenue and Capital budget plans are subject to annual review to ensure that forecasts of resources remain robust and can support planned levels of expenditure. Whilst the process for developing budget estimates is comprehensive, there will always be a degree of risk and operational uncertainty in respect of expenditure forecasts. The affordability of the budget has to take account of financial risks and the actions that can be taken to mitigate that risk. In my view the Commissioner's expenditure plans are affordable, taking account of the risks set out below and the plans for how they will be managed.

Capital Expenditure

- 4.2 The capital programme incorporates the delivery of two significant estates capital schemes. These comprise an Eden Deployment Centre at the Penrith HQ site, and a longer term option to develop a scheme in West Cumbria to manage estates resilience issues within the west of the county. Both schemes are reliant on achieving capital receipts from the disposal of vacated sites. Within the current market this will entail some risk that income is either delayed or less than the amount assumed within the budget. All large capital schemes incorporate risks inherent in delivering to time and budget. The estates team are however highly experienced in the delivery of these type of schemes and have a strong track record of delivering projects within budget. Risks are captured within the estates risk register and are subject to regular review.
- 4.3 The capital programme to 2023 includes a significant number ICT capital schemes including the implementation of the Emergency Services Communications Network. The experience of past financial years is that ICT capital schemes can experience slippage against the budget. The reasons for the slippage are varied and include national schemes that have not progressed, local schemes that have been subject to changes in decision making and issues around capacity to deliver within the team. Whilst slippage in capital schemes does not create a financial pressure, the consequent level of reserves can be subject to challenge in the context of budget cuts. There are also reputational implications for the quality of financial forecasting and management. To protect against these risks it will be important to understand the risks and issues inherent in the ICT programme and ensure that delivery is effectively supported.
- 4.4 The capital programme is currently only sustainable on the basis of general capital reserves. In addition, any significant level of capital investment is reliant on a combination of prudential borrowing, direct revenue contributions and capital receipts. The programme is however forecast over 10 years to ensure advanced financial planning can be managed and peaks in expenditure are identified at an early stage. As capital reserves are depleted, increasing support for the capital programme from the revenue budget will be required. Accordingly, the revenue budget implications of the programme have been built into the medium term forecast.

Treasury Management

- 4.5 Treasury management has the potential to be an area of high budget risk that could have implications for the robustness of the budget should those risks materialise. The treasury management strategy statement provides assurance around the approach to investment and

borrowing activity and the way the function is managed that mitigates against this risk. The Commissioner should however be aware that the level of risk against any investment activity is higher in the current financial climate than would typically be the case.

Capital Financing

- 4.6 The capital programme is financed through direct revenue contributions, capital grants, reserves and borrowing. Notional borrowing reflects an underlying need to borrow to finance capital schemes, but where actual borrowing has not been undertaken because internal cash flow balances are sufficient to fund schemes. Many of the internal balances are available as a result of the level of short term reserves. As reserves are spent there will be an increasing need to actually borrow.
- 4.7 The underlying borrowing requirement is £12.8m. The exact timing of borrowing will depend on the extent to which capital schemes deliver to budget or are subject to slippage and the overall position on reserves. Borrowing will create a revenue implication in the form of interest charges and repayments that will be incorporated within the revenue budget, in line with cash-flow forecasts.

Inflation/Pay Awards

- 4.8 Pay costs are provided for within the budget on the basis of a 3% pay increase for the duration of the medium term forecast. Pay costs account for the most significant element of the budget and are therefore highly sensitive to variations against the budget assumption. This risk has recently increased as a result of the relaxation of the previous public sector pay constraints. General price inflation is forecast on the basis of 2% annual increases, in line with Bank of England long term forecasts. Inflation on fuel and energy costs are based on higher 5% annual increases.

Staffing Costs and Profiling

- 4.9 Within the budget employment costs are an area of budget that is highly sensitive to changes in the profile of staffing and difficult to forecast as a result of the complexities of and changes to terms and conditions that influence actual pay. Maintaining officer numbers at a planned level can be operationally difficult as a result of the timing of staff turnover and lead in time to recruit. Estimates of the costs of early retirement (ER) and redundancy have to be based on averages until the point in which individual staff are identified as part of the change management programme. These factors can cumulatively give rise to significant variations

between budgeted costs for pay and ER/redundancy. Historically there has been under spending against these budget heads, although more recently police officer pay budgets, in particular, have come under pressure. Pay budgets are based on detailed workforce plans and overtime targets, which are updated annually as part of the budget process.

Savings Requirements/Budget Management

4.10 The overall savings requirement over 4 years to balance the budget is £4.1m and this is ahead of any loss of funding that may arise from a future review of police grant formula. However, given the uncertainties over future funding, planning for a range of financial scenarios is being undertaken. Having delivered £25m of savings since 2010, additional savings will be challenging to deliver. Detailed discussions have taken place between the Commissioner and Chief Constable to identify areas where savings may be achieved. A number of potential savings initiatives are being pursued including reviews of specific business areas, workforce modernisation, collaboration with other forces and public sector bodies, consolidating functions to increase capacity and, in particular, ensuring that the full benefits are realised from the investment in new technology. These savings plans will be further developed over the next year as part of a strategic work programme in the Constabulary managed by the Deputy Chief Constable. In this context, the current savings requirement over the period of the MTFP is considered to be challenging, but manageable.

4.11 The more significant immediate risk is in respect of budget management. The 2018/19 budget is currently forecasting to overspend by £0.6m. The primary reasons for the forecast overspend are in relation to increases in police officer pay forecasts. This principally results from a combination of the earlier than originally planned recruitment of the additional 25 police officers pledged in the 2018/19 budget and a conscious decision to operate up 20 police officers over establishment to offset reductions in PCSO numbers as they leave to join as regular police officers. The latter also provides a safeguard against the potential future difficulty in recruitment as a result of the implementation of the Police Education Qualification Framework from January 2020. The overall position equates to 0.63% of budget. The Constabulary and Commissioner are working together to reduce this forecast overspend, should this not ultimately prove possible, the overspend will be funded from forecasts underspends on the capital programme for 2018/19. Whilst the overall financial position in 2018/19 does not present any material risks, the overspend is more indicative of growing demand pressures rather than any weaknesses in the budget management process. This may present some risk to

the medium term forecast in future years should demand continue to increase whilst financial and people resources are constrained.

5. General Balances and Reserves

- 5.1 General balances are held as a contingency against risks not provided for in the Commissioner's financial plans or other reserves and provisions. The level of balances, reserves and provisions are assessed annually to ensure they are adequate and take account of known financial risks. This is not a precise science and local circumstances, the strength of financial reporting arrangements and the Constabulary's track record in financial management is also a key influence on the actual potential of any risk materialising.
- 5.2 This report sets out the key risks that have been taken into account in presenting the budget, including any provision made for that risk. Some risks are currently unfunded whilst others have a level of provision that may be less than the full requirement. General balances should be at an appropriate level to provide cover for those risks. The Joint Chief Finance Officer has set balances at £3m for 2019/20. This is around 3% of net expenditure and reasonable in the context of the budget risks set out in this report. The general balances are supported by £2.4m of budget stabilisation, insurance and operational reserves and contingencies. These can be used to manage budget pressures in year that are unable to be contained within the set budget, subsequently being replenished as part of the following year's budget process.
- 5.3 Further cover is provided through the position on specific reserves. Whilst these are earmarked, a number of the reserves, particularly those for capital, are not planned to be used for a number of years. This provides an additional level of resilience in the short term, although the use of these reserves for other purposes would have an opportunity cost in relation to the future ability to undertake the projects for which they were originally earmarked.
- 5.4 Based on the risk assessment, the Commissioner's general balances are sufficient to meet potential risks and earmarked reserves are set at an appropriate level for the purposes intended. More information on reserves and the purpose for which they are held is included within the Commissioner's Reserves Strategy, included as item 11c on this agenda.

6. The Affordability of the Capital Programme in determining Prudential Indicators

- 6.1 The Prudential Code requires the Chief Financial Officer to ensure that all matters required by the Code to be taken into account in determining the budget are reported to the Commissioner. The treasury management strategy statement provides assurance in respect of this requirement. In particular, the strategy sets out the prudential indicators and limits calculated under the Code including those that support assurances in respect of the affordability of capital expenditure plans. The Code of practice gives no suggestions as to their appropriate level. These have to be set by the Commissioner based on individual circumstances.
- 6.2 The conclusions from the strategy following the setting and calculation of indicators is that capital expenditure plans are resourced and levels of borrowing are prudent in relation to income and assets. The strategy is subject to review by the Joint Audit Committee and independent advisors to provide further assurance that the principles of the code and best professional practice is being applied in relation to operational processes and procedures.

7. Conclusion

- 7.1 Based on the assessment included in this report I have concluded that the budgets as proposed and the associated systems and processes are sound and the level of general balances/reserves is adequate. This is subject to no amendments being made to the budget proposals, which would impact on this assessment. It is my view that the estimates proposed and the tax setting calculations are robust and the provisional capital programme is affordable.

Roger Marshall

Joint Chief Finance Officer

20th February 2019



Peter McCall

Cumbria Office of the Police and Crime Commissioner

Public Accountability Conference 20 February 2019

Budget 2019/20 and Financial Forecasts 2020/21 to 2022/23

Report of the Joint Chief Finance Officer

1. Purpose of the Report

1.1 The purpose of this report is to recommend to the Commissioner for approval the revenue and capital budget for 2019/20 and the level of council tax to support the budget. The report also provides provisional estimates for the three years to 2022/23, ensuring budget decisions are taken in the context of the medium term financial forecast.

2. Introduction

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

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

3. Summary Budget and Precept

- 3.1 The table below sets out a summary of the consolidated budget setting out the plans for income and expenditure based on the 2019/20 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 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	1,260	1,286
PCSO Pay	3,131	2,738	2,828	2,850	2,908
Staff Pay	21,264	23,106	23,595	24,197	25,048
Other Employee Costs	1,165	1,346	1,373	1,392	1,419
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	7,376	4,831	6,255	6,375
Contributions to Reserves Revenue	113	183	96	96	96
Total Expenditure	141,505	145,754	147,493	153,556	151,303
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)	(4,791)	(4,887)
Interest/Investment Income	(75)	(165)	(140)	(115)	(115)
Revenue Reserves Drawdown	(12)	(1,586)	(276)	(123)	(29)
Capital Reserves Drawdown	(8,472)	(4,162)	0	(1,575)	(1,699)
Formula Grant	(58,710)	(59,943)	(59,943)	(59,943)	(59,943)
Council Tax Income	(39,917)	(43,799)	(46,408)	(48,829)	(51,284)
Total Income/Funding	(141,505)	(145,754)	(144,523)	(149,885)	(147,190)
Net Savings Requirement	0	0	2,970	3,671	4,113

- 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 £145.754m in 2019/20 to support an equivalent level of expenditure. Between 2020/21 and 2022/23 the gap between income and expenditure is expected to increase to £4.113m. 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 2019/20 the Minister of State for Policing and Fire has again, allowed PCCs further flexibility to increase council tax without the requirement to undertake a local referendum. In the funding announcement he gave PCCs the ability to increase the band D precept by up to £24 (for 2018/19 the flexibility was given to increase by £12), for Cumbria this sum would represent an annual increase of 10.29%. In return for this higher level of increase in the council tax precept for policing, the Commissioner has increased the number of Police Officers by 20 (on top of the increase of 25 officers provided in 2018/19) from 1145 to 1165 FTE. The remainder of the budget proposed has been produced on a continuation basis, which means that current levels of service have been maintained over the life of the four year forecast. This includes functions where additional funding was provided in the 2018/19 budget in response to service pressures including an additional 25 officers.

4. 2019/20 Policing Bodies Grant Settlement

- 4.1 On the 13th December 2018 the provisional funding allocations for policing bodies in England and Wales were announced. The funding allocations were based on the 2018/19 levels of funding with an inflationary increase (2.1%) to partially offset the impact of an increase in employers pension contributions. The MTFE assumes that the 2019/20 level of funding will be maintained on a flat cash basis for the 4 years of the MTFE. The final settlement figures were released on 24th January and these were unchanged from the provisional figures. The outcome of the settlement is a formula funding amount of £59.943m for the Cumbria police area for 2019/20.
- 4.2 The settlement confirmed that the current arrangements for formula funding and damping would continue for 2019/20. This means all policing bodies will continue to receive the same proportion of core Government funding as in 2018/19. The Government has indicated that it will re-visit the Home Office police funding formula in the next spending review, which will apply from 2020/21. However, any changes to the funding formula are unlikely to be implemented until 2021/22. In the absence of any firm indications on the timing and effect of any changes to the formula, for the purposes of the budget forecast, it has been assumed that this will have a neutral impact on Cumbria's core grant. The potential that changes to the formula may adversely affect the financial outlook will, however, continue to be recognised in the risk register and will be monitored on an on-going basis.
- 4.3 In addition to the formula grant the Commissioner receives a number of specific grants for policing and crime. The key grants against which most funding is received are the Police Pensions Top-Up Grant (£23m), Home Office legacy Council Tax Grants of £4.85m and a specific pensions grant of £1.2m introduced in 2019/20 to offset increased police officer pension contributions. The Commissioner will also receive income of £0.59m to support responsibilities for commissioning support for victims and restorative justice. For the purposes of financial planning it is assumed that

the legacy, pensions and victims grants will continue at their 2019/20 cash levels for the remainder of the MTF.

- 4.4 In summary, the formula grant settlement has seen a 2.1% increase in grant funding for local policing and crime reduction in Cumbria when compared with what was received for 2018/19, but this has been fully utilised in meeting additional police officer pensions contributions levied in 2020/21. The medium term forecast is currently projecting this settlement for the duration of the 4 years of the medium term financial forecast on a flat cash basis. On this basis, budgeted expenditure exceeds income by £4.1m by 2022/23.

5. Council Tax Income & Other Income

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

Council Tax 'Band B' is the band into which the highest number of properties in Cumbria fall, for this band the increase is £18.62 per annum or 36 pence per week (from £181.02 to £199.64).

- 5.2 The amount of the council tax precept is a decision for the Commissioner, who will take account of the views of the Chief Constable, the Police and Crime Panel and the results of a public consultation in making that decision. This is providing the proposal on the precept is within the Government's Council Tax increase limits. The limits are set by Government each year and inform the percentage increase in Council Tax income allowed before the Commissioner would need to hold a public referendum. The Government has formally announced the Council Tax increase limits as part of the formula grant settlement. As discussed above, the limit for Policing Bodies has been set at a maximum of £24 increase on a band D property for 2019/20. **The Commissioner's budget is based on a precept increase of 10.29%. The financial implications for residents are that the Band D Council Tax amount would increase to £256.68 for 2019/20, an increase of £23.94.**
- 5.3 Council tax income is forecast using the tax base estimates provided by district councils. Calculations of the tax base have taken into account billing authorities' responsibilities to support low income households with their council tax liabilities. This support is delivered by way of local schemes that

provide discounts. The discounts reduce the tax base and therefore also impact precepting bodies. Schemes are subject to review and the Police and Crime Commissioner is required to be consulted with regard to scheme changes. The Commissioner has supported the schemes currently proposed by all districts through the consultation process.

- 5.4 The table below sets out the tax base for each district for 2019/20 and the tax base for the prior year. The table shows that the total tax base is estimated to increase by 1,589 band D equivalent properties. Budgets from 2020/21 are based on an assumed annual increase in the tax base of 0.75%. The actual updated tax base will be incorporated into future budgets in the year it is notified by districts. If the tax base increases above our estimates this will deliver a small budget benefit whilst a decrease from our estimates will have a negative impact on funding.

District	Tax Base 2018/19	Tax Base 2019/20	Increase (decrease)	% change
Allerdale Borough	30,359.94	30,662.47	302.53	1.00%
Barrow Borough	19,290.00	19,520.25	230.25	1.19%
Carlisle City	33,326.46	33,850.60	524.14	1.57%
Copeland Borough	20,523.35	20,557.70	34.35	0.17%
Eden District	20,365.64	20,615.78	250.14	1.23%
South Lakeland District	45,265.99	45,513.47	247.48	0.55%
Total	169,131.38	170,720.27	1,588.89	0.94%

- 5.5 In addition to the recurrent grant and tax base income, the 2019/20 budget is reduced by the net impact of a forecast deficit on the 2018/19 district collection funds. The table below shows the council tax attributable to each district for 2019/20 and the position on each district collection fund (surplus/deficit) for 2018/19.

Council Tax Income 2019/20	Tax base 2019/20	Precept (Band D) £	Council Tax Income £	Declared Surplus/ (Deficit)	Total 2019/20 £
Allerdale Borough	30,662.47	256.68	7,870,442.80	36,248.00	7,906,690.80
Barrow Borough	19,520.25	256.68	5,010,457.77	(37,596.00)	4,972,861.77
Carlisle City	33,850.60	256.68	8,688,772.01	64,008.00	8,752,780.01
Copeland Borough	20,557.70	256.68	5,276,750.44	57,513.00	5,334,263.44
Eden District	20,615.78	256.68	5,291,658.41	(98,323.00)	5,193,335.41
South Lakeland District	45,513.47	256.68	11,682,396.97	(43,436.00)	11,638,960.97
Total	170,720.27	256.68	43,820,478.39	(21,586.00)	43,798,892.39

- 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 2019/20 budget is supported by the use of £5.6m of earmarked revenue and capital reserves. The most significant element of this are planned contributions of £4.2m from capital reserves to support the capital programme.
- 5.7 Fees and charges income is estimated to provide £5.2m in 2019/20 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 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 £145.754m can be supported by budgeted income in 2019/20. However, it is anticipated that in future years funding will fail to keep pace with expenditure pressures meaning that by 2022/23 £4.1m savings will be needed to offset rising costs. The key driver in the level of savings requirements is increasing inflationary pressure. Previously, inflation on pay costs had been held at 2% for the life of the medium term forecast, 2018/19 saw further relaxation of the public sector pay constraint and as a consequence, the medium term forecast has now been adjusted to assume annual pay rises of 3%. Inflation on supplies has also been set at 2% for the life of the medium term forecast in line with Bank of England estimates. Against this backdrop, all expenditure budgets are subject to rigorous scrutiny including an annual budget Star Chamber process, where budget holders are required to justify their budget requirements.
- 6.2 Recognising the need to make further budget savings in the medium term in order to deliver a balanced budget, the Commissioner and Chief Constable have engaged in a number of discussions to consider areas of the budget that will be targeted for reductions in expenditure. Whilst no firm decisions have been made, initiatives, which will be explored as part of the Constabulary's Vision 2025 Strategy include, adjusting the workforce mix, consolidating functions to provide greater resilience, collaboration with other forces and other public sector bodies and realising benefits from investment in new technology.

7. Capital Funding & Expenditure

7.1 In addition to revenue grants the Commissioner also receives a small amount of annual capital funding that supports a capital programme. The programme is developed in consultation with the Constabulary who are the primary user of the capital assets under the ownership of the Commissioner. The budget benefits from £0.372m in capital grant to support capital expenditure from the 2019/20 settlement, which is slightly higher than the capital grant received in 2018/19 of £0.364m. Over recent years the level of capital grant has reduced significantly as a result of national top-slicing from capital allocations, contributing to a widening gap between the requirement for capital expenditure and capital funding. This has to be met by revenue contributions to capital, capital receipts from the disposal of property and the use of reserves. In 2019/20 the revenue budget contributes £1.8m to fund capital, this figure increases to over £3m per annum from 2020/21. Over the four years of the medium term financial forecast, major capital schemes for ICT and estates are primarily funded through one off reserves and capital receipts. Beyond 2023/24 both these sources of funding will be largely exhausted and as a result revenue contributions will be the primary source of capital funding.

8. Reserves and Balances

8.1 Over the life of the financial forecast total reserves are planned to reduce from £18.1m at the start of 2019/20 to £9.1m by end of March 2023, largely due to provision of funding to the support the capital programme. Of the remaining £9.1m, the general reserve of £3m is held for managing financial risks and unforeseen events, budget support, stabilisation and insurance reserves/contingencies of £3.9m provide further resilience, whilst a small number of other reserves are earmarked for specific purposes including pooled/partnership funds.

8.2 The agenda includes a separate paper, **The Reserves Strategy for 2019/20** (see item 11c). The reserves strategy, sets out the purposes for which the individual reserves are held and the planned movements over the life of the medium term budget.

9. Consultation & Value for Money

9.1 The Commissioner has undertaken consultation on the budget and the Police and Crime Plan in line with regulatory requirements. Public consultation has taken place through the Police and Crime Panel and with a specific survey on the Commissioner's website during the budget setting process for 2019/20. A total of 2,161 individuals responded to the survey and the outcome of public consultation has been that the majority of respondents (70.15%) have agreed with the proposal to increase council tax by the maximum allowed amount of just under £24 (10.29%) on a band D

property. The Commissioner has also sought the view of the Chief Constable. The Police and Crime Panel voted to support the Commissioner's proposal at its meeting 21 January 2019 and made no further recommendations.

- 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 2019/20 to 2022/23. The 2019/20 budget is balanced based on a precept increase of £23.94 for a band D property which equates to an increase of 10.29%. In future years savings will be required to offset a deficit of £4.1m by 2022/23. The precept proposal will increase the annual Council Tax attributable to the Commissioner by £23.94 for a Band D property resulting in a Band D Council Tax charge of £256.68.

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 2019/20 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 £256.68 for 2019/20, an increase of £23.94**

12. Acknowledgements

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

Roger Marshall

Joint Chief Finance Officer

20 February 2019

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 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 - Ill Health & Injury Pensions	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	22,496,767	22,968,205	23,550,856	24,382,382
Other Employee Benefits	1,160,125	1,341,001	1,367,408	1,386,479	1,414,209
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	129,215,273	133,752,544	131,128,653
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	7,364,569	4,819,822	6,243,873	6,364,170
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)	(14,991,089)	(19,618,364)	(19,611,689)	(14,060,551)
Use of Reserves					
Revenue Reserve Drawdown	(12,307)	(1,586,210)	(275,535)	(123,472)	(29,304)
Capital Reserve Drawdown	(8,471,641)	(4,162,275)	0	(1,575,000)	(1,699,284)
Total Use of Reserves	(8,483,948)	(5,748,485)	(275,535)	(1,698,472)	(1,728,588)
Budget Requirement	98,626,714	103,741,859	109,321,374	112,442,383	115,339,514
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)	(43,798,892)	(46,407,980)	(48,828,829)	(51,283,392)
Total Formula Grant & Council Tax Income	(98,626,714)	(103,741,858)	(106,350,946)	(108,771,795)	(111,226,358)
Net Deficit/Savings Requirement	0	0	2,970,428	3,670,588	4,113,156
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%

Budget Resolution

Local Government Act 2003 Requirements: That the comments of the Joint Chief Finance Officer on the robustness of the estimates and adequacy of balances and reserves be noted and reflected in the decisions made by the Commissioner in making the following budget determination for 2019/20.

Revenue Estimates 2019/20: That the Commissioner's net **Budget Requirement** of £103,741,859 be approved.

Council Tax Base 2019/20: That it is noted that the Council Tax base has been calculated at the amount of 170,720.27 for 2019/20. This is the total of the tax bases calculated by the District Councils as required by regulation.

Budget Requirement: That the following amounts are calculated by the Commissioner for the 2019/20 financial year:

Ref	2019/20 Amount £s	Description
(a)	£145,754,107	being the total of gross expenditure
(b)	£42,012,249	being the total of income from specific grants, fees and charges and transfers from reserves
(c)	£103,741,858	being the Budget Requirement for the year to be met from Council Tax and External Finance
(d)	£59,942,966	being the total the Commissioner estimates will be received from external financing, being the Police Grant
(e)	-£21,586	being the net surplus/(deficit) on district collection funds
(f)	£43,820,478	being the council tax requirement (the budget requirement less the collection fund surplus and external finance)
(g)	£256.68	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	Amount £.pp	Proportion
Band A	171.12	6/9 ths
Band B	199.64	7/9 ths
Band C	228.16	8/9 ths
Band D	256.68	9/9 ths
Band E	313.72	11/9 ths
Band F	370.76	13/9 ths
Band G	427.80	15/9 ths
Band H	513.36	18/9 ths

Billing Authority	Tax Base 2019/20	Precept (Band D) £	Amount Payable £
Allerdale Borough	30,662.47	256.68	7,870,442.80
Barrow Borough	19,520.25	256.68	5,010,457.77
Carlisle City	33,850.60	256.68	8,688,772.01
Copeland Borough	20,557.70	256.68	5,276,750.44
Eden District	20,615.78	256.68	5,291,658.41
South Lakeland District	45,513.47	256.68	11,682,396.97
Total	170,720.27	256.68	43,820,478.39



Cumbria Office of the Police and Crime Commissioner

Reserves Strategy 2019/20

Public Accountability Conference 20 February 2019

Report of the Joint Chief Finance Officer

1. Introduction and Background

1.1 This reserves strategy is produced and published as part of the overall budget setting process. The reserves strategy meets the statutory requirement to consider annually the level of reserves that should be held to meet future expenditure requirements when setting the budget. The strategy seeks to achieve a balance between pro-actively utilising reserves to support services for our communities and providing financial resilience to meet unexpected events. It sets out the purpose for which reserves are held and the planned movement in reserves over a period of 4 years (the medium term financial forecast period). Our reserves are held for three main purposes. These are:

- ◆ a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing,
- ◆ a contingency to cushion the impact of unexpected events or emergencies,
- ◆ a means of building up funds, often referred to as earmarked reserves, to meet known or predicted pressures or liabilities.

1.2 Over the past year, the level of reserves nationally have become a focus of attention for the Home Office and it is now considered best practice to publish a **reserves strategy**, which covers the MTF 4 year timeframe plus a further 2 years, 6 years in total.

- 1.3 As part of the budget process a capital strategy is produced which includes capital plans over a longer 10 year timeframe, reflecting the cyclical nature of capital expenditure programmes. In order to facilitate the production of the capital strategy and associated capital financing, reserve balances are projected over this longer 10 year timeframe. For this reason it has been determined that a reserves strategy should be produced covering a 10 year timeframe (exceeding the best practice requirements).
- 1.4 The level of reserves should take into account the medium term financial plan and not be based solely on short term considerations. Set out in section 2 below is a description of the reserves held by the Commissioner and the purpose for which they are held. At **Appendix A** a table is provided which sets out the planned movement in reserves over this longer 10 year timeframe to 31 March 2029. **Appendix B** summarises this information graphically.

2. Details of Specific Groups of Reserves

- 2.1 **General Reserves:** The general reserve (police fund) is the main contingency for unexpected events, and the management of cash flow. The level of general reserve is £3m in 2019/20. The amount represents approximately 3% of the net recurrent budget (after specific grants & fees and charges). The level of the general reserve takes account of the risks within the budget as set out in the Joint Chief Finance Officer's report on the robustness of the budget and the level of provision for those risks within specific earmarked reserves and contingencies.
- 2.2 **Earmarked Capital Reserves:** Capital reserves are a combination of general and earmarked revenue contributions that have been set aside to meet the costs of approved capital schemes to be delivered over multiple financial years. Capital schemes are only included within the capital programme on the basis of setting aside funding to meet the expenditure. The policy is that general capital reserves will be maintained at a level to ensure a balanced capital budget for the duration of the medium term financial forecast. The capital reserves currently include a reserve to fund costs associated with the Eden Deployment, centre which is currently being constructed on

the HQ site at Carleton Hall, a reserve to allow consideration of options for the West Cumbria TPA HQ and a balance of general capital reserve. The current capital programme forecasts that these reserves will be almost fully utilised by the end of March 2024.

- 2.3 **Earmarked Revenue Reserves:** Earmarked reserves are held for a number of specific purposes, see paragraphs 2.4 to 2.6 below.
- 2.4 **Budget Stabilisation and Insurance Reserves** are established to smooth the impact of intermittent costs across financial years. This group of reserves includes operational reserves for the Commissioner and Chief Constable, these reserves are to cover any unexpected expenditure that arises during a financial year that cannot be accommodated for existing budgets. The strategy is for these reserves to be replenished if used through the next budget cycle. This group also includes the Chief Constable's contingency, this reserve was established when a more risk based approach to budgeting was adopted thereby removing contingency sums from individual budgets. An Insurance reserve is also maintained to cover the cost of insurance claims below the policy excess.
- 2.5 **Budget Support Reserves** the budget support reserve was established to meet emerging demands and unforeseen items.
- 2.6 **Short-term Project Reserves** primarily fund the one off revenue implications of approved projects and also provide for areas within the budget where there is a liability but the amount or timing is uncertain. This group includes a reserve to cover the future lifecycle costs in relation to the PFI. This group also includes funding in relation to Cumbria road safety initiatives which is ring-fenced to be spent on road safety measures, a reserve to fund the cyclical replacement of body armour and reserves in relation to PCC commissioned services where the approved spend will be drawn down over a number of years.

Roger Marshall, Joint Chief Finance Officer

20 February 2019

Planned Movement in Reserves 2019/20 to 2028/29

Reserves Plan	Note	MTFF Timeframe																							
		Actual	Estimated	Forecast	Net	Forecast	Net	Forecast	Net	Forecast	Net	Forecast	Net	Forecast	Net	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	Gain/(Use)	Balance	Gain/(Use)	Balance	Gain/(Use)	Balance	Gain/(Use)	Balance	Gain/(Use)	Balance	Gain/(Use)	Balance	Gain/(Use)
		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	2023/24	31/03/24	2024/25	31/03/25	2025/26	31/03/26	2026/27	31/03/27	2027/28	31/03/28	2028/29	31/03/29	
2019-2029		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
General Reserve/Police Fund	1	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	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	0	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	(2,824)	3,098	(2,834)	264	0	264	0	264	0	264	0	264	0	264	0	264	0	264	0	264	0	264	
Eden Deployment Centre		3,628	(2,300)	1,328	(1,328)	0	0	0	0	0	0	0	0	0	0	0	0	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	(1,699)	222	(222)	0	0	0	0	0	0	0	0	0	0	0	
Total Capital Reserves		12,854	(4,932)	7,922	(4,162)	3,760	0	3,760	(1,575)	2,185	(1,699)	486	(222)	264	0	264	0	264	0	264	0	264	0	264	
Budget Stabilisation/Insurance	3																								
PCC Operational Reserve		250	0	250	0	250	0	250	0	250	0	250	0	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	0	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	0	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	46	1,438	46	1,484	46	1,530	46	1,576	46	1,622	46	1,668	
Total Budget Stabilisation/Insurance Reserves		2,162	46	2,208	46	2,254	46	2,300	46	2,346	46	2,392	46	2,438	46	2,484	46	2,530	46	2,576	46	2,622	46	2,668	
Budget Support Reserves	4																								
Budget Support Reserve		2,469	(341)	2,128	(769)	1,359	0	1,359	0	1,359	0	1,359	0	1,359	0	1,359	0	1,359	0	1,359	0	1,359	0	1,359	
Total Budget Support Reserves		2,469	(341)	2,128	(769)	1,359	0	1,359	0	1,359	0	1,359	0	1,359	0	1,359	0	1,359	0	1,359	0	1,359	0	1,359	
Short Term Project Reserves	5																								
PFI Lifecycle Replacements		289	0	289	0	289	0	289	0	289	0	289	0	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	0	0	0	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	50	441	50	491	50	541	50	591	50	641	50	691	
Cumbria Road Safety Initiatives		291	8	299	(200)	99	(58)	41	(37)	4	71	75	0	75	0	75	0	75	0	75	0	75	0	75	
Injury Pensions		50	(50)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
HQ Security		50	50	100	(100)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Anti Corruption Audit Tool		34	(34)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
CS Change Manager		0	28	28	(28)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Workforce 2025		45	(45)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Business Intelligence		0	113	113	(113)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Red Sigma		0	371	371	(227)	144	(144)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Commissioned Services		1,504	(50)	1,454	(62)	1,392	(74)	1,318	(87)	1,231	(100)	1,131	(100)	1,031	(100)	931	(100)	831	(100)	731	(100)	631	(100)	531	
Total Short Term Project Reserves		2,410	435	2,845	(680)	2,165	(226)	1,939	(74)	1,865	21	1,886	(50)	1,836	(50)	1,786	(50)	1,736	(50)	1,686	(50)	1,636	(50)	1,586	
Total Earmarked Revenue Reserves		7,041	140	7,181	(1,403)	5,778	(180)	5,598	(28)	5,570	67	5,637	(4)	5,633	(4)	5,629	(4)	5,625	(4)	5,621	(4)	5,617	(4)	5,613	
Total All Reserves	6	22,895	(4,792)	18,103	(5,565)	12,538	(180)	12,358	(1,603)	10,755	(1,632)	9,123	(226)	8,897	(4)	8,893	(4)	8,889	(4)	8,885	(4)	8,881	(4)	8,877	

Overall reserves are forecast to fall to just £9.1m over the life of the MTFF, this represents a fall of 50% compared to their current level of £18.1m

Planned Movement in Reserves 2019/20 to 2028/29

