



AGENDA NO: 6

POLICE AND CRIME PANEL - 1 FEBRUARY 2019

BUDGET AND PRECEPT 2019/20 AND MEDIUM TERM FINANCIAL FORECASTS 2019/20 TO 2022/23

REPORT TO THE POLICE AND CRIME PANEL BY OPCC CHIEF FINANCE OFFICER

PURPOSE OF THE REPORT

This report sets out the proposed precept for 2019/20 for the Police and Crime Commissioner for Dorset for consideration by the Police and Crime Panel.

[The Police and Crime Panels \(Precepts and Chief Constable Appointments\) Regulations 2012](#) require the PCC to notify the panel of the proposed precept for 2019/20 by the 1st February 2019, which it must review by 8th February. The Police and Crime Panel can either approve the proposed precept or veto it. A two thirds majority of the Police and Crime Panel is required to veto any precept proposal. In the event of a veto the PCC must present a revised precept by 15th February, which the Panel must review and report on by 22nd February, to which the PCC must respond by 1st March, at the latest. To facilitate this process a reserve date for a second meeting of the Panel has been set at 18th February.

1. BACKGROUND

- 1.1 The Police and Crime Commissioner (PCC) in each force area has a statutory duty and electoral mandate to ensure an efficient and effective police service and to hold the police to account on behalf of the public. The PCC is the recipient of funding relating to policing and crime reduction, including government grant and precept and other sources of income. How this money is allocated is a matter for the PCC in consultation with the Chief Constable and in compliance with any grant terms.
- 1.2 The PCC is required to set a balanced budget in accordance with the provisions of Section 32 of the Local Government Finance Act 1992. In addition, Section 26 of the Police Reform and Social Responsibility Act 2011 establishes the PCC as a precepting authority for the purposes of the 1992 Act.

2. POLICE AND CRIME PLAN

- 2.1 The proposed budget is designed to support the priorities of the Police and Crime Plan 2017 – 2021 which takes into account the strategic priorities of key local partners and is

underpinned by a number of more specific and detailed commitments made by the Police and Crime Commissioner.

- 2.2 The [Police and Crime Plan](#) is a statement of strategic intent for policing in Dorset, set around four key themes. These are:



- 2.3 A number of more detailed commitments underpin the Police and Crime Plan. These include aspirations to protect the Police Budget.

3. POLICING FUNDING FOR 2019-20

- 3.1 The provisional Police Finance Settlement was published on 13 December 2018 and the allocations have now been confirmed in the final settlement which was published on 24 January.

- 3.2 This settlement is the last before the next Spending Review. The Government's stated priorities are an increasing emphasis on crime prevention, while maintaining a focus on catching the perpetrators of crime; improved outcomes for victims of crime; better support for front line officers; and a step change in the effectiveness of how data and digital technology are used to build a smarter police system and support a more effective service to the public.

- 3.3 In recognition of the increased demands and pressures facing policing, the settlement is to provide additional funding in 2019/20 as follows:

- An increase in Core grant of £146m nationally (£1.2m Dorset) intended to protect government funding in real terms;
- Additional specific grants of £153m (£1.4m Dorset) towards the increase in police pensions costs, and
- Increased precept flexibility providing up to £509m nationally (£7.8m Dorset, including council tax base growth) providing each PCC chooses to raise police precept by £24.

- 3.4 Total Police Capital Grants have increased marginally from £75.2m in 2018-19 to £76m in 2019-20. For Dorset the proposed capital grant has increased by £9,000 from £412k to £421k.

- 3.5 It is now expected that the funding formula review will be revisited after the next Spending Review, and that any changes therefore will not have any impact before 2021/22.

Top-Slicing / Re-allocations

- 3.6 In 2019/20 the national top-slices/reallocations total £1,029m, £84m higher than for 2018/19 (£945m).

TABLE 1	2018/19 (£m)	2019/20 (£m)	Change (£m)
POLICE FUNDING			
Police technology programmes	495	495	
Police transformation fund	175	175	
Special Grant	93	73	-20
Private Finance Initiatives (PFI)	73	73	
Arm's length bodies	63	63	
Top ups to NCA /Regional Organised Crime Units		56	+56
Strengthening the response to Organised Crime	42	90	+48
Pre-charge bail	4	4	
Total Reallocations and adjustments	945	1,029	+84

4. TOTAL FUNDING

- 4.1 Police and Crime Commissioners are responsible for the totality of funding within their policing area. Therefore, all policing related funding comes initially to the PCC to issue to the Chief Constable, or commission services as appropriate. This includes:
- Police Allocation Formula grant (which includes Police grant, redistributed business rates, and legacy council tax freeze grants)
 - Policing Precept
 - Collection Fund surplus/deficit
 - Some Specific grants are also received. These are accounted for as Income and matched against the relevant expenditure.
- 4.2 The expected funding for 2019/20 compared with that for 2018/19 is summarised below:

TABLE 2	2018/19	2019/20	Yr on Yr. Increase
FUNDING	£	£	£
Core settlement funding	40,659,454	41,543,762	884,308
Ex-DCLG formula funding	17,089,676	17,418,100	328,424
Council Tax freeze and benefit grant	7,918,574	7,918,574	-
Total General Government Grants	65,667,704	66,880,436	1,212,732
Council Tax Precept	59,006,377	66,835,734	7,829,357
Council Tax Collection Fund surplus	841,176	951,534	110,358
Total amount of Funding expected	125,515,257	134,667,704	9,152,447

- 4.3 In the future years the forecasts for General Government grants are assumed to continue at the same level as for 2019/20. It is not possible to predict the impact of the Spending Review in 2019 (which will impact on 2020/21 and future years), or the funding formula review (which may impact on 2021/22 albeit any changes arising from this are likely to be transitioned in over a number of years).

TABLE 3 FUNDING	FORECAST			
	2019/20	2020/21	2021/22	2022/23
	£'000s	£'000s	£'000s	£'000s
Core settlement funding	41,544	41,544	41,544	41,544
Ex-DCLG formula funding	17,418	17,418	17,418	17,418
Council Tax freeze and benefit grant	7,918	7,918	7,918	7,918
Total General Government Grants	66,880	66,880	66,880	66,880
Council Tax Precept	66,836	68,848	70,919	73,055
Council Tax Collection Fund surplus	952	100	100	100
Total amount of Funding expected	134,668	135,828	137,899	140,035

5. COUNCIL TAX

- 5.1 The Council Tax precept is divided by the number of nominal Band D properties (the Council Tax Base) to determine the Band D charge for Council Tax.
- 5.2 The Council Tax Base assumptions are set by the relevant Local Authorities, and have now been set for 2019/20; showing an overall increase over 2018/19 of 1.48%. This is in line with the Government's overall assumption of growth nationally of 1.4%.
- 5.3 For the future year projections, it is assumed that the council tax base growth will be +1% p.a. which produces the forecasts in Table 4 below:

TABLE 4 COUNCIL TAX BASE	BUDGET		----- ESTIMATES -----		
	2019/20	2020/21	2021/22	2022/23	2023/24
Bournemouth, Christchurch & Poole	141,772.00				
Dorset Council	148,087.20				
Total Council Tax base	289,859.20	292,757.79	295,685.37	298,642.22	301,628.65
Tax Base growth (yr on yr) - No	4,224.69	2,898.59	2,927.58	2,956.85	2,986.42
Tax Base growth (yr on yr) - %	1.48%	1.0%	1.0%	1.0%	1.0%

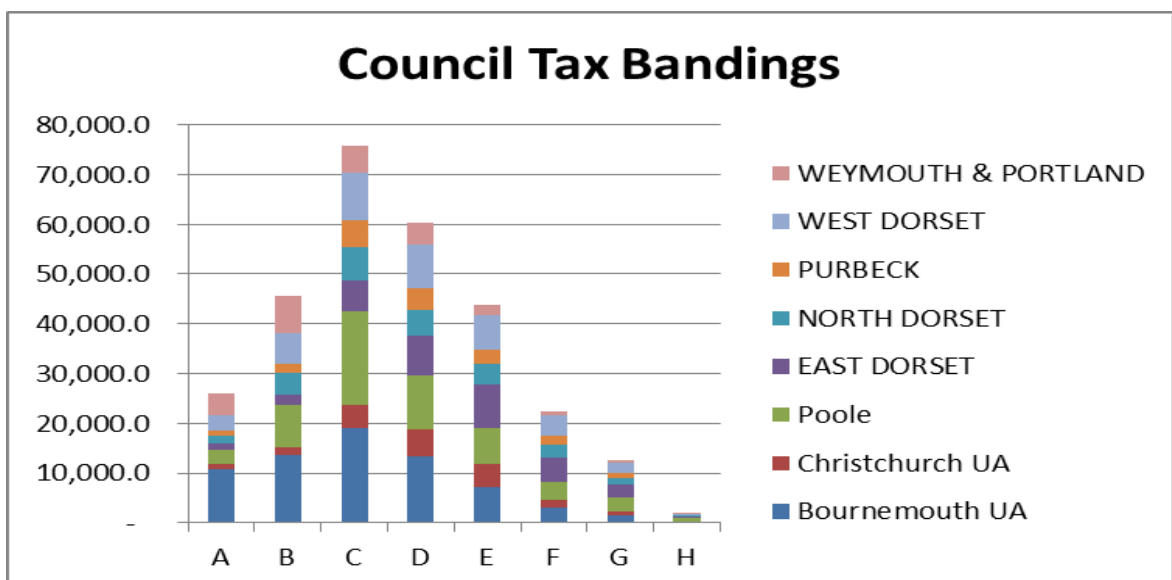
- 5.4 The amount proposed for the 2019/20 Total Council Tax Precept to be allocated to each of the new Dorset Local Authorities is as follows:

TABLE 5 PROPOSED POLICE PRECEPT 2019/20	
Bournemouth, Christchurch & Poole	£32,689,788
Dorset Council	£34,145,946
Total	£66,835,734

- 5.5 The precept decision for 2019/20 needs to consider both the immediate and the medium term resourcing requirements to enable the delivery of the Police and Crime Plan in the context of the changing and increasing demands on policing.
- 5.6 For 2019/20 the Government has increased the amount by which the Band D Policing Precept can be increased without the need to call a referendum to £24. In its funding announcements it has assumed that PCCs will fully utilise this flexibility i.e. the Government calculations for maintaining funding for Police services rely on the maximum increases to the precept being adopted. Consequently, an increase of £24 to the average Band D precept is being proposed, which is deemed necessary to meet the budget requirements. This produces a Band D Council Tax of £230.58 for the year as set out below.

TABLE 6 PROPOSED COUNCIL TAX BY BAND				
Property Band	2018/19	2019/20	Year on Year Increase	
			Annual	per month
A	£137.72	£153.72	£16.00	£1.33
B	£160.67	£179.34	£18.67	£1.56
C	£183.63	£204.96	£21.33	£1.78
D	£206.58	£230.58	£24.00	£2.00
E	£252.49	£281.82	£29.33	£2.44
F	£298.39	£333.06	£34.67	£2.89
G	£344.30	£384.30	£40.00	£3.33
H	£413.16	£461.16	£48.00	£4.00

- 5.7 Applying the latest available MHCLG Council Tax base statistics (which relate to September 2018), the highest number of properties in the area are Band C, with c.51% of properties in Bands A-C, 21% Band D, and 28% in Bands E-H.



- 5.8 It is not known what the future referendum limits will be. The forecasts for future years' council tax income, from 2020/21, assume that limits will revert to the 2017/18 level of 2%.

TABLE 7		BAND D COUNCIL TAX FORECASTS				
	2019/20	2020/21	2021/22	2022/23	2023/24	
Increase (yr on yr) - £	£24.00	£4.59	£4.67	£4.78	£4.86	
Increase (yr on yr) - %		2%	2%	2%	2%	
COUNCIL TAX BAND D	£230.58	£235.17	£239.85	£244.62	£249.48	
Bournemouth, Christchurch & Poole	£32,689,788					
Dorset Council	£34,145,946					
Precept	£66,835,734	£68,848,318	£70,918,667	£73,054,438	£75,251,633	
Annual increase in Income	£7,829,357	£2,012,585	£2,070,349	£2,135,771	£2,197,195	

It is possible that the referendum limits will continue to be set at a higher level than 2%, which would provide the potential for higher precept income in future years ; broadly +£1m for each 1%.

- 5.9 The Police share of the Collection Fund surplus to be applied in the budget for 2019/20, representing the difference between budgeted and actual amounts of council tax collected by councils, has been provided by the respective councils as follows:

TABLE 8		COLLECTION FUND SURPLUS 2019/20 – Police share
Bournemouth, Christchurch & Poole		£28,600
Dorset Council		£922,934
Total		£951,534

- 5.10 This is higher than was expected and the advice received from the Collection Authorities is that it should not be expected to continue at this level in future years. For planning purposes an assumption of £100k p.a. surplus in future years has been assumed.

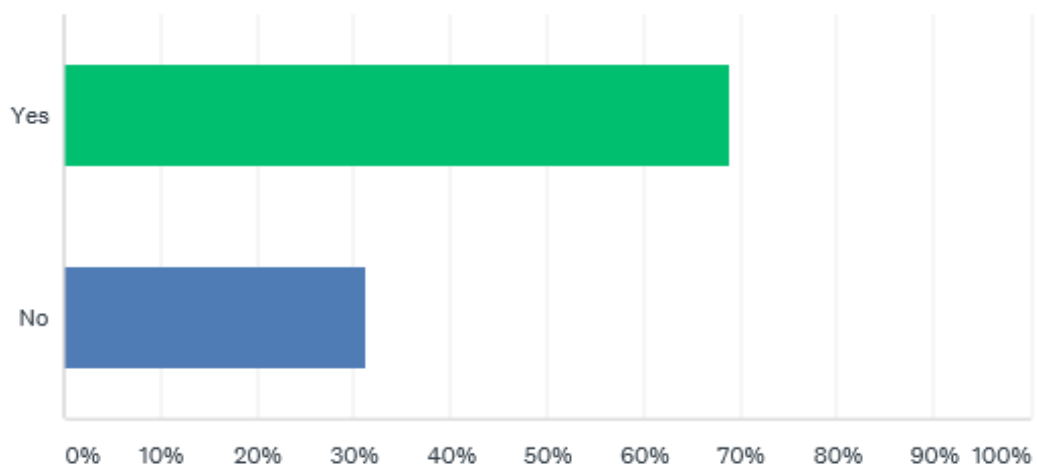
6. CHIEF CONSTABLE REQUEST

- 6.1 In a letter to the PCC the Chief Constable has formally requested that the full flexibility to increase council tax is utilised. The letter sets out the context of the current financial position, how the precept for 2018/19 was used, and what the proposed increase for 2019/20 would achieve. A summary of the letter is provided at Appendix 7.

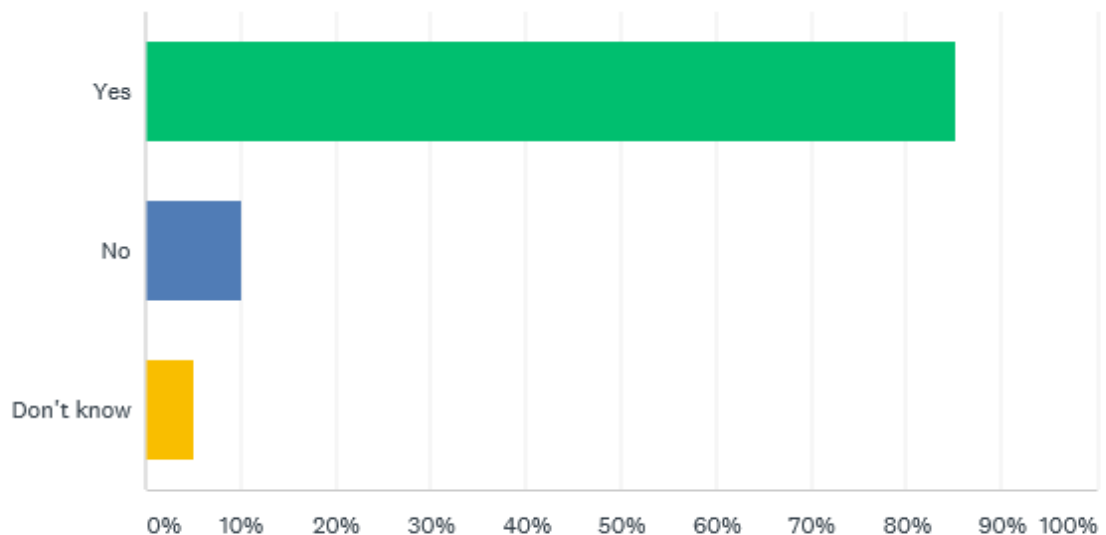
7. PUBLIC CONSULTATION

7.1 On 20 December 2018, the Office of the Police & Crime Commissioner launched a public consultation on the policing precept proposals for 2019/20. Local people were asked whether they agreed that policing in Dorset requires more investment and whether they would be prepared to pay an additional £2 per month to support policing in Dorset.

7.2 Online and face-to-face consultation is being carried out across the county up to 24 January 2019. At the time of writing this report 69% of respondents have expressed a willingness to pay an additional £2 per month to support local policing.



7.3 An even higher proportion of respondents – 85% – agreed that policing in Dorset requires more investment. The final results of the consultation will be provided to the Panel in due course.



8. BUDGET REQUIREMENT

8.1 The budget requirement is fully informed by the operational and organisational requirements of the Force. The 2019/20 budget proposal includes further investment in operational capability and capacity delivered through the achievement of savings, including the reinvestment of efficiencies. Innovation delivered through capital investment and organisational redesign is key to achieving this service development.

8.2 Key areas included in the budget requirement are:

- Full implementation of the Operational Business Design (OBD) model, which is designed to reduce demand on front line officers by adopting a new approach, including a new deployment allocation system for certain types of activity. OBD improves the workforce allocation and workforce mix to better deliver the required Police and Crime Plan outcomes.
- Funding for the PRISM change programme, including the roll out of body worn video, a new Command and Control system, and other technological developments such as a common Command Centre platform with Devon and Cornwall Police. PRISM will deliver vital change to improve operational efficiency and effectiveness.
- Continued delivery of the Strategic Alliance with Devon & Cornwall Police, including realisation of cashable savings. The Alliance increases operational capacity and capability, while delivering efficiencies in support service delivery.
- Revenue funding of the capital programme, to ensure a sustainable core capital programme, maintaining Force assets to an appropriate level.
- A £1m 'Innovation Fund' will be made available for specific areas of investment such as:
 - o Additional police officers in the rural and marine crime teams, and enhancing offender management capability
 - o Introduction of a 'Bobby Van', addressing crime prevention / target hardening issues
 - o Investment in the new Volunteer Police Cadet scheme
 - o Further development of the 'No Excuse' capability, targeted at improving road safety
 - o Investment in tackling issues associated with homelessness, working alongside with homeless individuals and related agencies to help understand and address demand
 - o Creation of an 'Efficiency Officer' designed to identify and drive out future efficiencies
 - o Funding for new and emerging threats

9. VALUE FOR MONEY

9.1 In his letter to the Home Affairs Select Committee (HASC) setting out the police funding settlement for 2019/20, the Home Secretary outlines four priority areas for policing to "drive efficiency, productivity and effectiveness next year". These priority areas are set out below:

9.2 Collective Procurement and Shared Services

“On behalf of the taxpayer, the Government will expect to see continued efficiency savings in 2019/20 through collective procurement and shared services. We need to see national approaches to procuring forensics, vehicles and basic equipment such as helmets, developed over the coming year. And we will be setting an expectation that every force contributes substantially to procurement savings; we will work with the police to agree the right force level objectives for 2019/20 and 2020/21 in the coming months. All forces should also contribute to the development of a new commercial operating model over 2019/20.”

9.3 Dorset Police have an excellent track record in delivering efficiencies, having delivered in excess of £40m savings and efficiencies since 2010. The 2019/20 budget includes a net savings target of £250k for Service Area Reviews, and a further requirement for £0.4m savings from procurement.

9.4 The Alliance with Devon and Cornwall Police is delivering efficiencies in back office service provision, with improved resilience and reduced costs. This includes work to converge ICT systems, delivering financial savings through innovation.

9.5 The Force estates strategy sets out the approach to use of premises in Dorset Police, to enable a fit for purpose estate that is subject to continual review. Significant capital receipts are anticipated plus further investment in the estate.

9.6 Investigative Resource

“We will expect major progress to resolve the challenges in investigative resource identified by Her Majesty’s Inspectorate of Constabulary and Fire & Rescue Services, including recruiting more detectives to tackle the shortfall. We will work with the College of Policing and the National Police Chiefs’ Council to support forces to make this change by accelerating their action plan on investigations, making full use of the innovation offered by Police Now.”

9.7 Dorset Police Detective resilience is in a strong position in terms of attracting new entry ICIDP and transferee Detectives, and retaining existing talent. Regardless of this Dorset is working in partnership with Devon & Cornwall to further develop its Detective resilience planning, including exploring different entry routes. The force has invested in strengthening professional skills resilience within existing human resources, in particular strengthening PIP3 major crime and intelligence capability, PIP4, and kidnap & extortion.

9.8 Smarter use of Data, and Digital Capabilities

“Forces will have to continue improving productivity, including through smarter use of data, and digital capabilities including mobile working, with an ambition to deliver £50m of productivity gains in 2019/20.”

9.9 Dorset Police have invested significantly in mobile policing over the last few years. This includes the roll out of new smart phones, and creation of new operational mobile applications allowing officers access to systems while on duty without the need to return to a station. Further opportunities to strengthen mobile capabilities have been funded within the MTFs, including increasing the number of laptops and mobile working devices, and continued development of systems to allow flexible and mobile working.

9.10 Dorset Police has invested in the fraud & economic crime capability, enhancing the capacity to investigate and prevent crimes that often target the vulnerable. The force is prioritising the protection of vulnerable people through its Vulnerability strategy, which will develop the capability to make early interventions and safeguard any vulnerable people encountered. Dorset has increased the local cyber enabled and cyber dependent capabilities, including prevention, and continues to participate in regional and national development of technical capabilities.

9.11 Serious and Organised Crime (SOC) Response

“Furthermore, we expect forces to maintain a SOC response that spans the identification and management of local threats as well as support for national and regional priorities. This response should be built around the disruption of local SOC threats alongside SOC prevention, safeguarding, partnerships and community engagement.”

9.12 Dorset is a small force that achieves beyond expectation in tackling serious and organised crime. The force is committed to maintaining its dedicated capability, and has prioritised protecting vulnerable people, particularly children engaged in county lines and exploitation, within the SOC strategy. The south west region has an established and effective Regional Organised Crime Unit (ROCU), which continues to deliver a coordinated response to organised criminality, of which Dorset is an active partner.

Service Area Reviews

9.13 The Force is committed to ensuring it continues to drive efficiencies from the budget. The significant work that has taken place over the last four years under the Strategic Alliance has resulted in 39 live business areas that have been subject to considerable scrutiny, and have delivered cashable savings.

9.14 This review work is continuing into 2019/20 and beyond, with targeted Service Area Reviews. For existing Alliance areas, these reviews are being conducted jointly with Devon and Cornwall Police. For areas that are outside of the Alliance, most notably Territorial Policing, Contact Management and elements of Criminal Justice, such as custody, Dorset Police have a small review team carrying out in depth scrutiny and challenge. In each case, further savings are anticipated.

9.15 The timing of the reviews has been prioritised and will take place in accordance with an agreed programme, expected to deliver savings in 2019/20 and beyond.

9.16 The requirement for these reviews in 2019/20 is to achieve a full year saving of £500k. However, given the timing of implementation of savings and the potential for initial costs required to achieve the savings, the target has been reduced to £250k in 2019/20, using one off funding from General Balances. Further savings are anticipated in 2020/21 and beyond, with a total saving target in that year of £750k.

Innovation Fund

9.17 The budget proposals include £1m for an Innovation Fund, comprising £500k recurring budget and £500k one-off, to cover initiatives such as:

- Additional police officers in the rural and marine crime teams, and enhancing offender management capability
- Introduction of a ‘Bobby Van’, addressing crime prevention / target hardening issues

- Investment in the new Volunteer Police Cadet scheme
- Further development of the 'No Excuse' capability, targeted at improving road safety
- Investment in tackling issues associated with homelessness, working alongside with homeless individuals and related agencies to help understand and address demand
- Creation of an 'Efficiency Officer' designed to identify and drive out future efficiencies
- Funding for new and emerging threats

9.18 It is planned that the funding for this will be provided by £500k recurring efficiencies in the Force budgets, and £500k one-off funding provided from the Police & Crime Plan (commissioning) reserve (£250k) and (£250k) from General Balances (possible because of the higher collection fund surplus for 2019/20).

10. NATIONAL TRANSFORMING FORENSICS PROGRAMME

10.1 Excluded from the revenue budget requirement is the anticipated expenditure, and grant funding, in respect of the National Transforming Forensics programme.

10.2 Dorset Police is the financial lead for the National Transforming Forensics programme. Significant revenue and capital expenditure, fully funded by grant, is expected to be incurred during 2018/19 and 2019/20. Although the expenditure will be fully funded, the cash flow position will require careful management as expenditure will be incurred in advance of funding. This has currently been excluded from the revenue forecasts and capital programme as it is assumed that due to the national nature of this programme, as expenditure incurred is on behalf of the service as a whole rather than directly relating to Dorset Police (and treated as Agency expenditure and income). Nevertheless budgets will need to be set to ensure proper controls are in place.

11. FINANCIAL PROJECTIONS

11.1 The forecast budget requirements are set out in Appendix 2. These compare with the Funding projections (Table 3) as follows:

TABLE 9	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's
Funding	134,668	135,828	137,901	140,035
Budget Requirement	134,668	137,378	141,388	144,479
Projected Shortfall	0	1,550	3,487	4,444

11.2 This shows that a balance can be achieved in 2019/20 with a £24 council tax increase but that pressures remain on the future position.

11.3 A schedule of the key budget assumptions is provided at Appendix 6. These assumptions are informed by numerous factors, including government forecasts, political environment and historical context, but are ultimately based on professional judgement. As such, they are subject to change and will be kept under review.

Sensitivity Analysis

- 11.4 Some limited sensitivity analysis has been carried out on the assumptions, where it is possible to quantify the impact that a variation may have.
- 11.5 The forecasts shown above are considered at this stage to be a realistic assessment of future funding and budget requirement. There are quantifiable factors that could amend this forecast positively or negatively.
- 11.6 There are also numerous factors which are expected to change the forecast which cannot currently be quantified. This includes a review of formula funding distribution, expected to commence in 2019 for implementation in 2021/22. The last time such a review was carried out, although not subsequently implemented, Dorset Police were shown to benefit from additional annual grant funding of £4m.
- 11.7 A more 'optimistic' and 'pessimistic' forecast are provided below as an indicative range, although clearly the actual position could fall significantly outside of these indicative figures.

'Optimistic' Forecast

- 11.8 The key issues that could potentially improve the financial outlook relate to funding. It is possible that core grant funding could be increase, and Council Tax referendum limit increased. It is currently considered less likely that cost assumptions, such as pay award, will be below the level currently forecast, although there is no certainty in that respect.
- 11.9 The optimistic forecast is based on:
- Annual core grant increase in line with government Consumer Price Index forecasts
 - Council Tax referendum limit set at 3% for 2020/21 and beyond, in line with current local authority limits
 - 1.5% tax base increase annually (reflecting actual tax base increase in 2019/20)
 - No effect of formula funding review expected to be implemented in 2021/22 *
 - Pay awards at 2% in each year *
 - Continuation of Police Pensions specific grant *

** in line with existing assumptions in 'realistic' case set out above*

- 11.10 The optimistic financial forecast would affect the financial projections as follows:

TABLE 9.1	2019/20	2020/21	2021/22	2022/23
	£000's	£000's	£000's	£000's
Funding	134,668	137,591	141,722	146,010
Budget Requirement	134,668	137,378	141,388	144,479
Projected Shortfall / (Surplus)	0	(213)	(334)	(1,531)

'Pessimistic' Forecast

- 11.11 A more pessimistic financial forecast would see no change to current core funding and Council Tax forecasts, but instead would challenge expenditure and income assumptions.

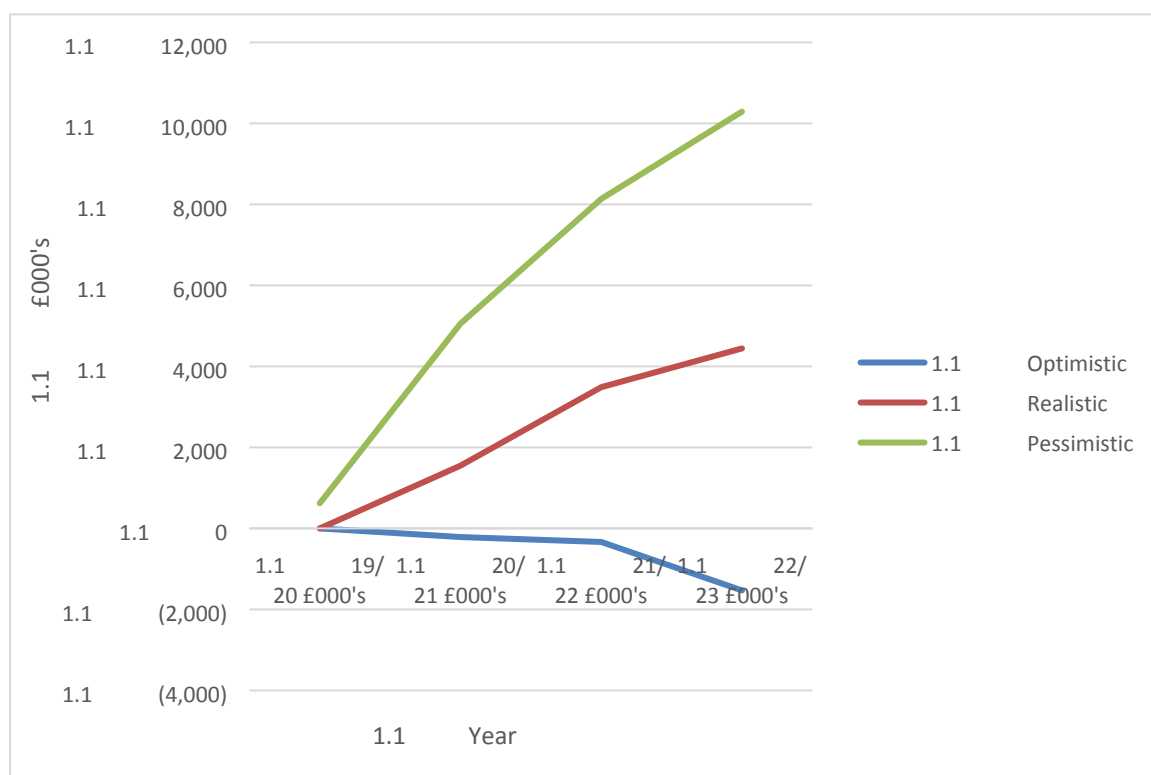
11.12 The pessimistic forecast therefore assumes:

- No further increase in core grant *
- Council Tax referendum limit set at 2% for 2020/21 and beyond *
- 1.0% tax base increase annually, reflecting actual tax base increase in 2019/20 *
- No effect of formula funding review expected to be implemented in 2021/22 *
- Pay awards at 3% in each year
- Cessation of Police Pensions specific grant from 2020/21 onwards
- 1% increase in employer contributions to the Local Government Pension Scheme with effect from April 2020. Actuarial review due in late 2019, which may change the required contributions

* in line with existing assumptions in 'realistic' case set out above

TABLE 9.2	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's
Funding	134,668	135,828	137,901	140,035
Budget Requirement	135,288	140,885	146,036	150,326
Projected Shortfall	620	5,057	8,135	10,291

11.13 A summary of the ranges above is shown in graph format below:



12. OFFICE OF THE POLICE AND CRIME COMMISSIONER

- 12.1 A small element of the Funding available is used to fund the Office of the Police and Crime Commissioner and to directly commission some services.
- 12.2 The Community Safety Fund was received as a specific grant until 2014/15 but was then rolled into the Police Revenue Grant. Additionally, the funding for a number of other similar services originally commissioned within Dorset Police were transferred to the PCC in 2014/15 so that all community related expenditure could be prioritised and monitored in one place. These funds are now allocated under the umbrella of the Safer Dorset Fund.
- 12.3 The Safer Dorset Fund has been established by the PCC to commission projects in areas of need that align to the Police and Crime Plan priorities. The OPCC Policy and Commissioning Teams work together with partner agencies to identify potential gaps in service provision, to find sustainable solutions, and commission organisations or partners to provide appropriate services. The OPCC works with a wide range of partner agencies, locally, regionally and nationally
- 12.4 The net budget requirement for the OPCC in 2019/20 is £2.076m. This comprises core costs of £1.072m and a total commissioning budget of £1.511m, partly funded by a transfer from the Police and Crime Plan reserve (£0.507m). In addition £0.250m has been made available from the Police and Crime Panel reserve to the Innovation Fund (as previously referred to).
- 12.5 Specific grants have been received by the PCC since 2014/15 from the Ministry of Justice (MoJ) for the commissioning of Victim services and Restorative Justice services. These are ring-fenced and will again be spent directly by the PCC. The largest area of expenditure in the Victim Support contract which was previously commissioned directly by the MoJ. Notification has been received that allocations for 2019/20 will be £890,205 (2018/19 - £890,135).
- 12.6 All of the remaining Police Revenue Grant / Precept and the other specific grants will be passed to the Chief Constable for the commissioning of police services.

13. CAPITAL PROGRAMME

- 13.1 The 2019/20 budget proposal includes further investment in operational capability and capacity delivered through the achievement of savings, including the reinvestment of efficiencies. Innovation delivered through capital investment and organisational redesign is key to achieving this service development. A summary of the proposed capital programme and associated funding is set out below. More detail on capital expenditure is provided in Appendix 5.

TABLE 10	2018/19	2019/20	2020/21	2021/22	2022/23
	£000's	£000's	£000's	£000's	£000's
<u>Expenditure</u>					
Vehicles	942	1,541	991	921	951
Minor Building Works	860	1,090	670	680	890
Major Building Works	0	1,050	1,300	0	0
<u>ICT</u>					
PRISM	3,570	3,320	1,214	689	372
Other ICT	718	2,829	1,770	930	1,500
Equipment	449	1,055	115	515	115
Forecast slippage on above programme	(821)	(2,529)	1,250	1,400	700
Total Capital Expenditure	5,718	8,356	7,310	5,135	4,528
<u>Funding</u>					
Home Office Grant	412	421	421	421	421
Capital Receipts	4,514	5,662	650	200	2,500
Revenue Funding	792	1,100	1,300	1,300	1,300
Subtotal	6,260	6,641	2,371	1,921	3,828
Increase in underlying need to borrow	0	1,173	4,939	3,214	307
Total Capital Funding	5,718	8,356	7,310	5,135	4,528

13.2 Emergency Services Network (ESN)

Excluded from the above programme is funding for the Emergency Services Network (ESN). Once information relating to actual costs and timescales of ESN is available, the appropriate funding strategy will be implemented. The introduction of ESN is expected to realise revenue savings on the fully budgeted costs of the existing Airwave solution, which will be a key feature of any funding strategy.

13.3 Firearms Training Facility

A further exclusion is any provision for a replacement firearms training facility. The current facility is expected to need some work, potentially significant, to ensure that it remains fit for purposes. An alternative solution may be to consider the purchase, hire, or lease of alternative facilities. This may result in a capital or revenue cost. However, the business case and option appraisal in this respect is not yet available, so has been excluded until the requirement is better understood.

Capital Financing

- 13.4 The recently updated Prudential Code for Capital Finance in Local Authorities requires Police & Crime Commissioners to produce a capital strategy in order to help demonstrate that capital expenditure and investment decisions are taken in line with

service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability. The Capital Strategy supports the Medium Term Financial Strategy in order to ensure that the future asset needs are met to support the delivery of the Police and Crime Plan.

- 13.5 Capital planning is becoming increasingly important; technological advances are creating additional demands on investment spending aimed at increasing efficiency for the longer term. This is set in a context of external financial pressures; real term reductions in funding; pay pressures, and increasingly more complex demands on policing. In short, funds are a real constraint, and there are competing demands for both capital and revenue. When planning for longer term investment the increased uncertainties make the need for integrated planning even more essential.
- 13.6 The Capital Strategy has been prepared in line with the CIPFA guidance “capital strategies and programming” and together with the Treasury Management Strategy and the Reserves Strategy supports the Budget and Medium Term Plan.
- 13.7 The funding approach for capital financing is set out in the Capital Strategy and this is reflected in the funding proposals in Table 10 above. It should be noted that the amount of direct revenue contributions /Revenue funding has been increased in 2019/20 to £1.1m and to £1.3m thereafter to help provide ongoing sustainability for the capital programme.
- 13.8 It can be seen that the capital programme has been increased this year mainly in relation to the PRISM programme. This increased investment will result in an increase in the underlying need to borrow / Capital Financing Requirement. This is considered in the Treasury Management Strategy which demonstrates that in all likelihood (subject to timing) this could be covered fully by “internal borrowing” (the use of cash balances and working capital) which would avoid the need to borrow externally for the capital programme.
- 13.9 The planned increase in the Capital Financing Requirement will result in a statutory charge to the revenue budget (Minimum Revenue Provision) which is included in the capital financing line at Appendix 2.

14. RESERVES

- 14.1 The Reserves Strategy for 2019/20 is provided at Appendix 3 and is not substantially changed from this year. The forecasts for the 2019/20 budget are set out below.

TABLE 11	Opening balance Forecast 31-3-19 £000's	2019/20		Closing balance Forecast 31-3-20 £000's	N O T E
		Transfer in £000's	Transfer out £000's		
Budget Management Fund	194		194	0	1
Capital Financing Reserve	0	-	-	-	2
Major Operations Reserve	738			738	3
Police & Crime Plan Reserve	857		757	100	
Revenue Support Fund	0	-	-	-	4
Workforce Change Reserve	930		647	283	5
Total Earmarked Reserves	2,719	0	1,598	1,121	
General Fund Balance	3,864	951	500	4,315	6
Total Revenue Reserves	6,563	951	2,098	5,436	
Capital Receipts Reserve	542	5,120	5,662	0	7
Total Usable Reserves	7,125	6,071	7,760	5,436	

Notes:

1 – The actual opening balance on this reserve may be higher if there are any budgets brought forward as a consequence of underspends in 2018/19. Normally these would be spent in the year, resulting in a nil balance at the year end.

2 – The Capital Financing Reserve will be closed at the end of the current financial year.

3 – The nature of this reserve makes it not possible to predict the spending pattern.

4 – The Revenue Support Fund has been closed and the negative balance transferred to the General Fund Balance.

5 – The support in 2019/20 from the Workforce Change Reserve has been increased from the previous assumptions.

6 – The General Fund Balance exists to mitigate against significant financial risks by providing one-off funding. This is discussed in more detail below.

7 - The Capital Receipts reserve will be utilised in full as funds become available from the disposal of surplus assets, in accordance with the funding strategy expressed in the Capital Strategy.

- 14.2 The Home Office now publishes information on the levels of reserves held by PCCs and is keen to ensure that PCCs are not holding excessive reserves for their needs. Dorset's reserve levels are relatively low by comparison to the majority of others.
- 14.3 General Fund Balances are forecast to be only marginally above the minimum target level of 3% of net revenue expenditure and the financial strategy adopted is to apply annual Collection Fund surpluses to maintain the minimum of 3% and over time to increase the balances to achieve the target of 5%. A financial risk assessment supports the assessment on the adequacy of balances.

14.4 The projections for future years are provided below:

TABLE 12		USABLE RESERVES				
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Forecast closing balance at:	31/03/2018	31/03/2019	31/03/2020	31/03/2021	31/03/2022	31/03/2023
Reserve	£000's	£000's	£000's	£000's	£000's	£000's
Budget Management Fund	200	194	-	-	-	-
Capital Financing	203	-	-	-	-	-
Major Operations	738	738	738	738	738	738
Police & Crime Plan	857	857	100	100	100	100
Workforce Change	1,810	930	283	-	-	-
Total						
Earmarked Reserves	3,808	2,719	1,121	838	838	838
General Fund Balance	4,974	3,864	4,315	4,415	4,515	4,615
Total Revenue Reserves	8,782	6,583	5,436	5,253	5,353	5,453
Capital Receipts Reserve	1,211	542	0	0	0	0
Total Usable Reserves	9,993	7,125	5,436	5,253	5,353	5,453

15. ROBUSTNESS OF THE ESTIMATES

15.1 The [Local Government Act 2003 \(Section 25\)](#) requires all Financial Officers with 'Section 151' responsibilities to make a statement with regard to the robustness of estimates and the adequacy of reserves at the time the budget is set. The Police and Crime Commissioner has a statutory duty to have regard to the report when making decisions about the calculations.

15.2 There are also a range of other safeguards aimed at ensuring authorities do not over-commit themselves financially. These include:

- The Chief Financial Officer's powers under section 114 of the Local Government Act 1988, which require a report to the Authority if there is or is likely to be unlawful expenditure or an unbalanced budget;
- The Local Government Finance Act 1992 which requires a local authority to calculate its budget requirement for each financial year, including the revenue costs which flow from capital financing decisions. The Act also requires an authority to budget to meet its expenditure after taking into account other sources of income. This is known as the 'balanced budget requirement'; and
- The Prudential Code, introduced under the Local Government Act 2003, which applies to capital financing and treasury management decisions from 2004/05 onwards.

- 15.3 Whilst the budget assumptions are considered achievable, some budgets are subject to a higher degree of estimation as actual expenditure can only be determined by factors outside the Police and Crime Commissioner's control, for example major inquiries. The most significant risks are set out in Appendix 4.
- 15.4 The Force is forecasting to be slightly overspent against its budget in the current year, which may result in additional calls on reserves at the year end. The budget for next year relies on the continued delivery of savings particularly in relation to the Strategic Alliance, workforce management, service area reviews, and procurement savings.
- 15.5 It is important that financial monitoring procedures continue to be developed to maintain effective financial control systems to support the robustness of the budget, and ensure the delivery of the savings assumed.
- 15.6 Reserves are considered above. The forecast reserves are considered to be adequate to support the budget, although the General Fund Balances are close to the minimum target levels and need to be replenished over time. There is a strategy in place to achieve this.
- 15.7 Within the context of the overall budget and reserve levels, the Chief Finance Officer is able to provide assurance on the robustness of the estimates made for the purposes of the budget calculation for next year. This relies on the assurances provided by the Chief Finance Officer for the Force. The Director of Finance has reviewed the estimates and assumptions used in preparing the 2019/20 budget and Medium Term Financial Strategy and has confirmed that they present a robust forecast of the anticipated budget requirement.

16. **RECOMMENDATIONS**

- 16.1 The Panel are invited to support an increase in the Police Band D Council Tax for 2019/20 of £24 per annum.
- 16.2 For the purposes of issuing a report to the Commissioner on the proposed precept, the Police and Crime Panel is requested to endorse the council tax requirement and the basic amount of Band D council tax for police purposes in Dorset for 2019/20 as presented in Appendix 1.

Alexis Garlick

CHIEF FINANCE OFFICER FOR THE POLICE AND CRIME COMMISSIONER

23 January 2019

Members' Enquiries to: Alexis Garlick, CFO Dorset OPCC (01202) 229096

Appendices

Appendix 1: Council Tax Requirement for 2019-20

Appendix 2: Budget Requirement

Appendix 3: Reserves Strategy 2019/20

Appendix 4: Risks

Appendix 5: Capital Expenditure

Appendix 6: Key Budget Assumptions

Appendix 7: Summary of Letter from Chief Constable to Police and Crime Commissioner (dated 9 January 2019)

DORSET POLICE AND CRIME COMMISSIONER - COUNCIL TAX REQUIREMENT

APPENDIX 1

2018/19	BUDGET SUMMARY	2019/20	2019/20
£		£	£
125,515,257	Budget Requirement		134,667,704
	<u>Police Allocation Formula (PAF)</u>		
40,659,454	Police Grant (Home Office)	41,543,762	
17,089,676	Redistributed business rates (DCLG)	17,418,100	
7,918,574	Legacy Council Tax Grants	7,918,574	
65,667,704	Total funding		66,880,436
59,847,553	To be met by Council Tax payers		67,787,268
(841,176)	Less: estimated surplus on Collection Fund		(951,534)
59,006,377	PRECEPT REQUIREMENT		66,835,734

PRECEPTS						
Authority	2018/19		increase in tax base %	2019/20		Estimated Surplus on Collection Fund
	Tax Base	PCC Precept		Tax Base	PCC Precept	
Bournemouth	62,781.20	£12,969,340				
Christchurch	19,948.00	£4,120,858				
Poole	57,181.00	£11,812,451				
Bournemouth, Christchurch & Poole	139,910.20	£28,902,649	1.33%	141,772.00	£32,689,788	£28,600
East Dorset	37,708.00	£7,789,719				
North Dorset	26,057.10	£5,382,876				
Purbeck	19,182.31	£3,962,681				
West Dorset	41,782.20	£8,631,367				
Weymouth and Portland	20,994.70	£4,337,085				
Dorset Council	145,724.31	£30,103,728	1.62%	148,087.20	£34,145,946	£922,934
Total	285,634.51	£59,006,377	1.48	289,859.20	£66,835,734	£951,534

COUNCIL TAX								
Band	A	B	C	D	E	F	G	H
2018/19	£137.72	£160.67	£183.63	£206.58	£252.49	£298.39	£344.30	£413.16
<i>Increase (11.6%)</i>	<i>£16.00</i>	<i>£18.67</i>	<i>£21.33</i>	<i>£24.00</i>	<i>£29.33</i>	<i>£34.67</i>	<i>£40.00</i>	<i>£48.00</i>
2019/20	£153.72	£179.34	£204.96	£230.58	£281.82	£333.06	£384.30	£461.16
<i>Per month</i>	<i>£12.81</i>	<i>£14.94</i>	<i>£17.08</i>	<i>£19.22</i>	<i>£23.48</i>	<i>£27.75</i>	<i>£32.02</i>	<i>£38.43</i>