



Dorset Police and Crime Panel

Date: Tuesday, 4 February 2020
Time: 10.00 am
Venue: Committee Room A, South Walks House, South Walks Road, Dorchester, DT1 1UZ (DT1 1EE for sat nav)

Membership: (Quorum 3)

Mike Short (Chairman), Bobbie Dove (Vice-Chairman), Colin Bungey, George Farquhar, Les Fry, Barry Goringe, Mohan Iyengar, Rachel Maidment, Iain McVie, Bill Pipe, Molly Rennie and David Taylor

Chief Executive: Matt Prosser, South Walks House, South Walks Road, Dorchester, Dorset DT1 1UZ (Sat Nav DT1 1EE)

For more information about this agenda please contact Elaine Tibble 01305 224202 - elaine.tibble@dorsetcouncil.gov.uk



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council meetings.

A G E N D A

Page No.

5 BUDGET PRECEPT

5 - 28

The Chairman has agreed to take this item as an urgent item.

The reason for lateness of the report being published is that the Government Settlement was not received until Thursday 23rd January 2020.

To receive and consider the OPCC's proposed budget requirements and to independently scrutinise its appropriateness.

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AGENDA NO:

POLICE & CRIME PANEL – 4 FEBRUARY 2020

2020/21 BUDGET, PRECEPT AND MEDIUM TERM FINANCIAL STRATEGY

REPORT BY CHIEF FINANCE OFFICER

PURPOSE OF THE PAPER

To set out the Police and Crime Commissioner's proposals for the 2020/21 budget, precept and the medium term financial strategy.

1. BACKGROUND

- 1.1. The Police and Crime Commissioner (PCC) for each force area are required each year to set a balanced budget, including the precept to be charged to council tax payers. All funding is received by the PCC and they consult with the Chief Constable to determine how the funding should be allocated to ensure an efficient and effective police service.
- 1.2. In respect of the precept element of the budget, the PCC is required to notify the Police and Crime Panel of the proposed precept by 1 February each year, which must be considered within a week. The Panel can either accept the precept or veto it, subject to two thirds of the Panel supporting the veto. In the event of a veto, the PCC must present a revised precept by 15 February, which the Panel must consider by 22 February. A reserve date of 18 February has been set for a second meeting of the Panel, should this become necessary.
- 1.3. Over the last decade, Policing has faced significant reductions in resources at a time of increasing demand. Over that time, the burden on local taxpayers has increased, with council tax generating £13.5m more in 2019/20 than in 2010/11, whereas core government grant ended the decade at the same level as in 2010. While the announcement of additional officers is welcomed, there are still significant challenges with maintaining existing staffing levels and dealing with cost pressures to deliver a balanced budget.
- 1.4. In his written statement made on 22 January 2020, the Minister of State for Crime, Policing and the Fire Service said that the 2020/21 police funding settlement represented the "single biggest increase in Government investment in policing for some time". The statement set out that this assumed full take up of the council tax precept flexibility by PCCs – an increase of £10 on a Band D equivalent property.

2. STRATEGIC APPROACH

- 2.1. The Dorset Police and Crime Plan sets out the strategic intent for Policing in Dorset and is structured around the four pillars of:
 - Protecting People at Risk of Harm
 - Working with our Communities
 - Supporting victims, Witnesses and Reducing Reoffending
 - Transforming for the Future

- 2.2. The budget is designed to support the delivery of the Police and Crime Plan which is now entering its final year. A new plan will be developed during 2020 which will be used to drive the budget in future years.
- 2.3. The Financial Strategy, including the Capital Strategy, Reserves Strategy and Treasury Management Strategy are used to translate the vision of the Police and Crime Plan into the detailed budget, with the Medium Term Financial Plan setting out what this looks like for future years.
- 2.4. The strategic approach taken to balancing the 2020/21 budget is to take a longer term view to ensure that decisions taken are sustainable and that the budget starts the decade on firm foundations, to build greater financial resilience and delivering value for money for Dorset residents.

3. CORE FUNDING

- 3.1. The core funding for the revenue budget comes from 2 main sources; government grant and council tax. For 2019/20, the split between the two was almost equal and for 2020/21 this will remain broadly similar. The funding from each source is set out in the table below:

Funding	2019/20 £		2020/21 £		Change £
Government Grant	66,880,436	(49.7%)	71,293,231	(50.3%)	4,412,795
Council Tax Precept	66,835,734		70,106,575		3,270,841
Collection Fund Surplus	951,534		215,320		(736,214)
Total Council Tax funding	67,787,268	(50.3%)	70,321,895	(49.7%)	
Total Core Funding	134,667,704		141,615,126		6,947,422

Government Grant

- 3.2. The Government Grant funding is usually announced as a Provisional Settlement in December each year with the Financial Settlement confirmed in January. For 2020/21 the snap General Election in December meant that no Provisional Settlement was issued and the Settlement was announced on 22 January 2020.
- 3.3. The Government Grant is made up of two main elements; Police Grant (made up of Police Core Grant and MHCLG Formula Funding) and Legacy Council Tax Grants. For 2019/20 the main Police Grant Funding totalled £58.96m and Council Tax Grants totalled £7.92m. While the Police Grant Funding was expected to increase each year of the Medium Term Financial Plan by 1.8%, the Legacy Council Tax grants remain at the same level as originally granted. Each 1% increase in Police Grant generates around £589,600.
- 3.4. The settlement confirmed that the legacy council tax grants would remain at the same level as 2019/20, however, there was no general inflationary increase in the Police Grant. The only increase to the Police Grant was in relation to the Police Uplift Programme. In the Autumn Statement it was announced that an additional £750m would be available to fund the programme and the settlement set out how this funding was to be allocated, as set out below:
- £50m retained centrally to support the recruitment
 - £532m allocated to Police and Crime Commissioners through core grant
 - £168m allocated to Police and Crime Commissioners through a ring-fenced grant
- 3.5. The ring-fenced element of the grant will be paid quarterly in arrears, subject to evidence of progress in recruiting the additional officers by March 2021. The settlement also made clear

that this grant was also to enable the relevant infrastructure improvements needed to recruit the 20,000 additional officers by March 2023 to be made.

- 3.6. In addition to the core grant, the settlement also confirmed that the Pensions Grant introduced in 2019/20 would continue at the same level in 2020/21 but that the capital grant would reduce by 74%.

- 3.7. The funding for Dorset is set out below:

	£
Police Grant	63,374,657
Legacy Council Tax Grant	7,918,574
Total Core Funding	71,293,231
Ring-fenced Grant	1,393,514
Pension Grant	1,379,367
Capital Grant	110,507

- 3.8. In recognition of the fact that an element of the ring-fenced grant is in relation to costs which will be incurred in 2021/22 and 2022/23 when later phases of the uplift programme are delivered, £200,000 of this grant will be transferred to a new reserve once it has been received.

Council Tax

- 3.9. The council tax precept is the main source of council tax funding and is the total amount charged to Dorset residents. The Band D council tax charge is calculated by dividing the total precept by the taxbase. While the setting of the precept, and therefore the Band D council tax charge, is a local decision, the increase in the Band D charge must be within the referendum principles set by the Government or the increase must be supported by a public referendum. For 2020/21 the referendum limit for policing has been set at £10 per year.
- 3.10. The Minister of State for Crime, Policing and the Fire Service's written statement for the the 2020/21 police funding settlement set out an assumption that PCCs would maximise this council tax flexibility.
- 3.11. The taxbase is calculated by each local authority in Dorset, and is the number of Band D equivalent properties in Dorset liable to pay council tax, after taking account of discounts, collection rates and local council tax support schemes. In recent years, the total Dorset taxbase has increased by between 1.2% and 1.5% and an assumption of 1% had been factored into the Medium Term Financial Strategy, however, the actual increase for 2020/21 is 0.5% as set out in the table below.

Council Area	2016/17	2017/18	2018/19	2019/20	2019/20
Bournemouth, Christchurch & Poole	135,782.0	137,749.2	139,910.2	141,772.0	142,995.7
Dorset	142,618.0	143,982.1	145,724.3	148,087.2	148,410.8
Total Taxbase	278,400.0	281,731.3	285,634.5	289,859.2	291,406.5
Increase		1.2%	1.4%	1.5%	0.5%

- 3.12. In addition to the precept, funding also comes from the collection fund surplus generated by the local authorities. A surplus arises from a variety of factors such as improved collection rates, ongoing collection of prior year charges or higher growth of properties than estimated.

As estimates of growth have been factored into the calculation of the taxbase, collection fund surpluses are likely to be lower than in previous years. There are no guarantees of a surplus, and indeed could be a deficit, therefore should be treated as once off income and not used to fund ongoing expenditure.

- 3.13. For 2020/21 the proposed council tax precept and collection fund surplus for each local authority area are as follows:

Funding	Bournemouth, Christchurch & Poole £	Dorset Council £	Total £
Council Tax Precept	34,401,905	35,704,670	70,106,575
Collection fund Surplus	215,320	0	215,320
Total	34,617,225	35,704,670	70,321,895

4. CHIEF CONSTABLE'S BUDGET

- 4.1. Over 99% of the budget is delegated to the Chief Constable for the operational delivery of policing in Dorset. The Chief Constable has requested the increase in precept as a result of a number of cost pressures within the budget. Key cost pressures and assumptions are outlined below and the detailed budget is set out in Appendix 1.

Pay Award

- 4.2. The assumption for pay award in the 2019/20 budget was 2% but the nationally agreed pay award from September 2019 was 2.5% leading to a shortfall in the current year of around £0.5m. The full year effect of this additional pay award must be included in the 2020/21 budget along with an estimated 3% pay award from September 2020. This, alongside the contractual pay increments and associated impact on National Insurance and pension contributions result in increased costs of the pay budget of £4.4m.

Overtime

- 4.3. In the current year, as in previous years, the overtime spend is resulting in a significant predicted overspend at year end. While significant work has been undertaken to reduce overtime costs, there will always be a requirement for overtime, and a more realistic budget is being proposed for 2020/21. An additional £0.65m has been built into the overtime budget as a result of deleting a number of posts that have not been filled for a number of years and increasing the vacancy factor built into the pay budget to 5.9%.

Pensions

- 4.4. The Local Government Pension Scheme is available for Police Staff and is administered by Dorset Council. It is revalued every three years where new contribution rates are set. The latest triennial valuation for the Scheme showed that the Dorset Police element of the fund is now 92% funded. The contribution rate has increased slightly from the current valuation resulting in additional costs of £0.3m. There are no significant changes to Police Officer pension costs this year.

Impacts of the Capital Programme

- 4.5. A fundamental review of the funding of the capital programme has been undertaken in order to ensure the programme is sustainable in the medium term as set out in Section 5, however, this does result in additional costs on the revenue budget. The level of increased revenue contributions required for the capital programme cannot be achieved in a single year and will need to be built up over time in order to be affordable. As a result there will be increased borrowing costs in the short term in order to ensure we continue to invest in our vehicles and ICT infrastructure. For 2020/21 the increases in the capital financing costs total £1m, excluding changes to Minimum Revenue Provision.

Uplift of Officers

- 4.6. The Police Uplift Programme was announced in the summer of 2019, setting out to recruit an additional 20,000 police officers by March 2023 and the first 6,000 officers to be in place by March 2021. For Dorset, this equates to an additional 50 Officers by the end of next year. In order to achieve this there will be a number of additional costs in recruitment, vetting, trainers etc as well as costs of uniform, equipment, vehicles and IT. Total costs resulting from uplift are anticipated to be £2.4m in 2020/21.

Impact of Brexit

- 4.7. While it is assumed that the UK will leave the European Union on 31 January 2020, it has not been possible to identify any specific changes to the budget required as a result of Brexit. It is therefore assumed that any impacts will be cost neutral.

Savings

- 4.8. As part of the Innovation Fund introduced in 2019/20, an Efficiency Officer role has been created and continues to review Force departments and bids for innovation funding. Savings of £500,000 have been included within the budget to be achieved from this work. While these savings are not currently fully developed, the Treasurer has been reassured by the Force Section 151 Officer that this is achievable. As this is equivalent to 0.35% of the net revenue expenditure the Treasurer is content that at this level the savings target does not impact on the robustness of the budget.

5. CAPITAL BUDGET

- 5.1. The capital programme is primarily made up of two types of projects; rolling programmes of replacing existing capital assets such as vehicles and IT equipment and more once off investments in the future such as PRISM and the Futures project. As part of this year's preparation of the capital budget the funding sources have been reviewed to move to a more sustainable programme.
- 5.2. Traditionally there are four main sources of funding for the capital programme:
- Capital Grant – provided by Government each year, around £421,000 in 2019/20
 - Capital receipts – income from the sale of assets
 - Revenue – contributions from the revenue budget, funded by government grant and council tax
 - Borrowing – funded by cashflow (internal borrowing) or other loans such as PWLB (external borrowing), interest and minimum revenue provision funded from the revenue budget.
- 5.3. Capital grant makes up a very small proportion of the overall capital funding, therefore capital receipts and a small revenue contribution have been the primary sources of funding in previous years. However, capital receipts have now all been spent and there are not many future receipts expected. This funding source has therefore been exhausted and the future programme will need to be funded from other sources.
- 5.4. In order to make the capital programme sustainable, the funding sources have tried to be matched to the type of expenditure. There is currently around £4m a year spent on recurring expenditure such as replacement vehicles therefore these should be funded from the capital grant and revenue contributions in order to be sustainable. In 2019/20 these two sources totalled £1.5m therefore a further £2.5m revenue contribution is required. This is not affordable in a single year therefore the revenue budget will be increased over the Medium Term Financial Plan period in order to reach a sustainable position. For 2020/21 an additional £1m has been built into the budget, including an additional £311,000 following the reduction in capital grant in the settlement.

- 5.5. In the meantime, the balance of the capital programme will need to be funded from borrowing. Borrowing will be applied to the assets with the longest life in order to minimise revenue costs. This will be managed through the Treasury Management Strategy which has been updated to reflect this new requirement to borrow. The full suite of Prudential Indicators are included within the Treasury Management Strategy. Borrowing Costs of £74,000 have been included in the revenue budget for 2020/21.
- 5.6. As a result of the additional pressures being added to the revenue budget, the new Capital Strategy has introduced additional governance in the form of a Capital Strategy Group in order to provide additional scrutiny to the capital budget, project timescales, priorities and delivery. The Group will be chaired by the Treasurer and meet quarterly, bringing together all key capital budget holders as well as the Finance Team, and will report through to the Resource Control Board.
- 5.7. The summary Capital Programme for 2020/21 to 2023/24 is set out Appendix 2.

6. OPCC BUDGET

- 6.1. The budget for the Office of Police and Crime Commissioner is exposed to the same challenges as the Force in relation to pay awards, increments and inflation. While a base budget review has been undertaken to try and mitigate these increases as much as possible, there are two areas where legislative requirements have dictated an increase in the budget.
- 6.2. The first area is in relation to the changes around the review of complaints against the Force which will transfer to PCCs on 1 February 2020. In order to undertake this work, additional budget of around £29,000 is required. While there will be some reductions in costs from the Force budget this will not occur immediately as they continue to deal with complaints made before the implementation date.
- 6.3. The second area is around the provision of legal representation for Police Officers during proceedings where there is a conflict of interest between their viewpoint and that of the Force. While there has always been a legal requirement for the PCC to provide funding in these circumstances, it has been seldom used until recently. The indications are that this will be an ongoing requirement therefore a budget of £80,000 has been included. This will be reviewed in future years to assess the ongoing requirement.

7. PROPOSED PRECEPT

- 7.1. Without a provisional settlement or council tax referendum limits in December it was necessary to consult the public on an estimate of what would be required in order to balance the budget and deliver the uplift in officer numbers in a sustainable way. At the beginning of December this was estimated to be an increase of £15 a year for a Band D property or £1.25 per month.
- 7.2. The consultation was launched on 16 December 2019 and ran for 5 weeks until 17 January 2020. During that period, 5,152 responses were received, collected from the online survey and roadshows held in towns during January.
- 7.3. The consultation showed that 87% of respondents agreed that Dorset Police requires additional funding with 75% being willing to pay an extra £1.25 per month to help the Force achieve a balanced budget and recruit 50 more police officers.
- 7.4. As a result of the Financial Settlement and the need to improve the sustainability of the budget, the PCC is proposing to increase the precept to £70,106,575. This will result in a Band D charge of £240.58, an increase of £10 per annum or £0.83 per month.

- 7.5. It is worth remembering that while Band D is the national average Band, the most common Band within Dorset is Band C and over 56% of properties are in Band A to C. The impact on each Band charge is set out below:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Proportion	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9
2019/20 Charge	£153.72	£179.34	£204.96	£230.58	£281.82	£333.06	£384.3	£461.16
Annual Increase	£6.67	£7.78	£8.89	£10.00	£12.22	£14.44	£16.67	£20.00
2020/21 Charge	£160.39	£187.12	£213.85	£240.58	£294.04	£347.50	£400.97	£481.16

8. MEDIUM TERM FINANCIAL STRATEGY

- 8.1. As part of the budget setting process the medium term financial strategy has been reviewed and updated, extending it until 2023/24. Some of the key assumptions included within the strategy are:

- Pay award of 2.5% per annum
- Core grant increase of 2% per annum
- Council taxbase increase of 1% per annum
- Council tax increase of 1.99%

- 8.2. These assumptions produce the following budget gaps until 2023/24:

	2021/22 £'000	2022/23 £'000	2023/24 £'000
Budget Requirement	147,035	153,110	158,670
Total Funding	144,878	148,345	151,903
Budget Gap	2,157	4,765	6,767

- 8.3. This shows that over the next 3 years, savings in the region of £7m need to be delivered by 2023/24. However, the forecast is sensitive to the funding assumptions and the cumulative effect, for example, changing the council tax increase assumption to 3% reduces the total savings required to around £4.5m

	2021/22 £'000	2022/23 £'000	2023/24 £'000
Budget Requirement	147,035	153,110	158,670
Total Funding	145,584	149,810	154,179
Budget Gap	1,451	3,300	4,491

- 8.4. Without a multi-year settlement it is difficult to predict what the future funding position might be, therefore a number of scenarios will be developed to determine a range within which the real position might fall. As a result of the delayed settlement we have been unable to undertake any detailed work on these scenarios or developing the strategy for addressing the future years' budget gaps, however work will now begin to refine the forecasts and for the Force to develop options for balancing the budget over the medium term, assuming the worst case. These plans will need to take into account the new PCC's priorities and aspirations as the new Police and Crime Plan is developed.

9. RESERVES

- 9.1. The PCC holds two types of reserves, earmarked reserves and general reserves. Earmarked reserves are funds set aside for specific purposes such as major operations or changes to the workforce. They are currently estimated to be in the region of £1.7m by 31 March 2020. There is only one contribution to earmarked reserves for the future uplift costs of £200,000 included in the 2020/21 budget. This is offset by the use of £283,000 from the Workforce Change Reserve as planned in the 2019/20 Medium Term Financial Strategy. This gives a net use of earmarked reserves of £83,000.
- 9.2. In addition there is a new earmarked reserve which has been set up following the closure of the Police Scholarship Trust. The Learning and Development reserve has been created and will be used for the benefit of Dorset Police Officers and Police Staff for training and development purposes. The balance on the fund is approximately £19,000.
- 9.3. General Reserves are held to cover costs from unexpected events or emergencies. The PCC's Reserves Strategy, in accordance with Home Office guidance, is to keep the level of general reserves between 3 and 5% of net revenue expenditure. For 2020/21, based on net revenue expenditure of approximately £141.6m this would indicate reserves of between £4.25m and £7.08m. General Reserves are estimated to be £4.4m at 31 March 2020 and a further £215,320 is budgeted to be transferred to the reserve during the year. This will bring the level of general reserves to £4.6m or 3.2% of net revenue expenditure and as a result, the Chief Finance Officer can confirm that the level of reserves is adequate. However, this is at the lower end of the acceptable range, therefore to improve resilience, contributions to general reserves will be considered a high priority for any in year underspends, alongside revenue contributions to capital.
- 9.4. Further details on the reserves are set out in the Reserves Strategy, included at Appendix 3.

10. Robustness of the Budget

- 10.1. In addition to determining the adequacy of reserves, Section 25 of Local Government Act 2003 requires all Chief Finance Officers to make a statement regarding the robustness of the budget estimates at the time the budget is set. The PCC has a statutory duty to have regard to that report when making decisions about the budget.
- 10.2. The budget proposals have been developed using the latest information and variances reported in the current financial year. A key issue in recent years has been the overtime budget which has been significantly overspent. This has been thoroughly reviewed and a more realistic budget for overtime has been set. The budget for 2020/21 does include a savings target of £500,000 which represents 0.35% of the net revenue expenditure and will be closely monitored by the Resource Control Board. Due to the scale of this budget I do not feel this adversely affects the robustness of the budget. Further detail on the risks associated with the budget are set out in Appendix 4.
- 10.3. The Chief Finance Officer for the Force has reviewed to estimates and assumptions used in preparing the 2020/21 budget and has confirmed that they present a robust budget for the year. Taking this into account and the work undertaken to improve the sustainability and resilience of the budget, I am able to provide a positive assurance statement concerning the robustness of the budget estimates and the adequacy of reserves as outlined in section 9.

11. RECOMMENDATIONS

- 11.1. The Police and Crime Panel are recommended to consider the PCC's proposal to increase the precept for 2020/21 to £70,106,575, equivalent to a Band D charge of £240.58, an increase of £10 per annum or £0.83 per month, as set out in Appendix 5.

**JULIE STRANGE CPFA
CHIEF FINANCE OFFICER**

Appendix 1 – 2020/21 Budget Requirement

Appendix 2 – Capital Programme

Appendix 3 – Reserves Strategy

Appendix 4 – Risks

Appendix 5 – Council Tax Requirements

Members' Enquiries to: Julie Strange, Chief Finance Officer 01202 229082

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2020/21 BUDGET, PRECEPT AND MEDIUM TERM FINANCIAL STRATEGY

Detailed 2020/21 Budget Requirement

Category	Description	19/20 Agreed Plan £000's	20/21 Draft Plan £000's	21/22 MTFS Plan £000's	22/23 MTFS Plan £000's	23/24 MTFS Plan £000's
Pay & Employment Costs	Police Officer Pay	67,889	71,860	75,624	80,521	84,242
	Police Officer Overtime	2,718	3,434	3,661	3,590	3,543
	Police Staff Pay	38,387	40,306	41,677	42,885	44,376
	Police Staff Overtime	661	630	656	654	653
	Restructure, Training & Conference Costs	1,102	1,244	1,235	1,190	1,057
	Police Officer Injury/Ill Health/Death Pensions	1,620	1,786	1,905	2,025	2,146
	Other Employee Expenses	968	914	918	923	928
Pay & Employment Costs Total		113,345	120,176	125,676	131,789	136,944
Overheads	Premises Related Expenditure	13,295	13,419	14,197	14,650	15,124
	Supplies and Services	6,127	6,723	6,371	6,663	6,735
	Communications and Computing	6,118	6,302	6,220	6,366	6,573
	Transport Related Expenditure	2,286	2,394	2,445	2,518	2,592
	Third Party Payments	5,442	5,448	5,521	5,487	5,543
Overheads Total		33,268	34,285	34,753	35,685	36,567
Grant, Trading & Reimbursement Income	Government & Overseas Funding	(7,436)	(9,126)	(11,090)	(13,789)	(15,316)
	Interest/ Investment Income	(20)	(80)	(80)	(80)	(80)
	Local Government Specific/Partnership Funding	(510)	(683)	(690)	(696)	(703)
	Reimbursed Services	(2,867)	(3,088)	(2,957)	(2,958)	(2,957)
	Sales, Fees, Charges and Rents	(4,056)	(4,363)	(4,341)	(4,282)	(4,215)
	Special Police Services	(247)	(278)	(262)	(262)	(262)
Grant, Trading & Reimbursement Income Total		(15,135)	(17,619)	(19,419)	(22,067)	(23,534)
Capital Financing and Contributions	Interest Paid	0	76	241	403	639
	Loan Charges	124	120	120	119	118
	Minimum Revenue Provision	531	123	841	1,858	2,013
	Revenue Contribution to Capital	1,100	2,111	2,611	3,111	3,611
Capital Financing and Contributions Total		1,754	2,429	3,812	5,491	6,381
Transfers to / (from) Specific Reserves	Transfers to/from Revenue and Capital Reserves	(640)	(83)	(100)	(100)	0
Transfers to / (from) Reserves Total		(640)	(83)	(100)	(100)	0
Total Force		132,593	139,188	144,723	150,798	156,358
Office of the PCC	Dorset Office of the PCC	565	1,208	1,208	1,208	1,208
PCC Commissioning	Dorset PCC Commissioning	1,511	1,004	1,004	1,004	1,004
Total OPCC		2,076	2,212	2,212	2,212	2,212
Net Revenue Expenditure		134,668	141,400	146,935	153,010	158,570
Transfers to / (from) General Balances	Transfers to/from General Balances	0	215	100	100	100
Total Budget Requirement		134,668	141,615	147,035	153,110	158,670

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2020/21 BUDGET, PRECEPT AND MEDIUM TERM FINANCIAL STRATEGY

Capital Programme 2020/21 to 2023/24

	2020/21 £000's	2021/22 £000's	2022/23 £000's	2023/24 £000's
Vehicles	1,448	1,580	1,680	1,809
Building Works	5,510	5,680	10,090	3,190
ICT				
PRISM	2,533	957	252	0
Other ICT	3,153	2,237	1,505	2,160
Other				
Emergency Services Network	0	1,037	2,064	829
Equipment	365	565	165	65
Savings / Slippage	(900)	0	0	0
Total Capital Expenditure	12,109	12,056	15,756	8,053
Home Office Grant	110	110	110	110
Capital Receipts	0	0	0	0
Revenue Funding	2,111	2,611	3,111	3,611
Borrowing	9,888	9,335	12,535	4,332
Total Funding	12,109	12,056	15,756	8,053

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DORSET

POLICE & CRIME
COMMISSIONER

RESERVES STRATEGY

2020/21



RESERVES STRATEGY 2020/21

Background

- 1 In January 2018 the Home Office issued guidance setting out the government's expectations around the information to be published by Police and Crime Commissioners on their financial reserves strategies. At the same time information on the level of usable financial reserves held by each Police and Crime Commissioner was [published](#) on the HO website, for all financial years from 2011 onwards.
- 2 The reserves strategy supports the annual budget and medium term financial plan, as reported to the Police and Crime Panel in February each year.

Scope

- 3 Police and Crime Commissioners (PCCs) can keep part of their funding in reserves to help manage financial risk and to fund major future costs such as change programmes aimed at improving services to the public.
- 4 Reserves are required to be classified as either Usable or Unusable. Usable reserves are those that can be used to support future service provision. Unusable reserves are not available to be used to support services; they include unrealised gains and losses which will only become available if for example assets are sold, and accounting timing differences which will be realised at a future date.
- 5 This Reserves Strategy sets out the PCC's approach to the management of Usable Reserves.

Guidance

- 6 Sections 32 and 43 of the Local Government Finance Act 1992 require precepting bodies to have regard to the level of resources needed to meet estimated future expenditure when calculating the annual budget requirement. This is further supported by the balanced budget requirement: England, sections 31A, 42A of the Local Government Finance Act 1992. Moreover as part of the budget setting process, the Chief Finance Officer is required to comment on the adequacy of reserves. This relates to earmarked reserves as well as the General Balance, and is a critical part in making the statutory Section 25 judgement on the robustness and sustainability of the PCC's budget proposals.
- 7 This strategy has regard to [LAAP Bulletin 99](#) 'Local Authority Reserves and Balances', issued in July 2014, and complies with the Home Office Guidance issued in January 2018, and the Revised Financial Management Code of Practice, issued in July 2018 by the Home Office.
- 8 Reserves are sums of money held to meet future expenditure. When reviewing the medium term financial plan and preparing the annual budget PCCs should consider the establishment and maintenance of reserves.

9 Reserves can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
- a contingency to cushion the impact of unexpected events or emergencies. This also forms part of general reserves;
- a means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the General Fund.

10 CIPFA recommends that for each earmarked reserve held there should be a clear protocol setting out:

- the reason for / purpose of the reserve;
- how and when the reserve can be used;
- procedures for the reserve's management and control; and
- a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

Responsibilities

11 The respective responsibilities in relation to reserves are set out in the Financial Regulations (see Appendix A).

Policy Statement

The PCC will not plan to hold significant reserves above those required by the Medium Term Financial Plan.

In considering earmarked reserves, the Chief Finance Officer will have regard to relevant matters in respect of each reserve, and will advise the PCC accordingly.

The key principles to be adopted in setting reserves are:

General Balances

The PCC will seek to maintain a general reserve at between 3% and 5% of Net Revenue Expenditure. This will be supported by an annual budget risk assessment which will also identify the need for any specific earmarked reserves.

Earmarked Reserves

The need for earmarked reserves will be assessed annually through the budget setting process, to confirm the continuing relevance and adequacy of each earmarked reserve in addition to identifying any new reserves that may be required.

This Strategy will be reviewed annually by the OPCC Treasurer and consulted on with the Force Chief Finance Officer and the Joint Leadership Board.

Earmarked Reserves

The following earmarked reserves balances are held:

Name of earmarked reserve	Purpose	Opening balance 1 April 2019 £'000s	Target level
Budget Management Fund	To hold year end underspends for carry forward to the following year.	27	nil annually
Capital Financing Reserve	To fund capital investment.	665	As determined by the Capital Strategy
Major Operations Reserve	To meet the costs of major policing operations.	738	Between £0.6m and £1.2m [maximum 1% of Net Revenue Expenditure]
Police and Crime Plan	To fund planned Police and Crime Plan developments.	1,063	Nil by 2021
Workforce Change Reserve	To fund one-off and transitional costs of change programmes including the Strategic Alliance with Devon & Cornwall Police.	1,333	Nil by 2021
Regional Collaboration Reserve	To hold funds related to past underspends and future planned spending for regional collaborations	231	Nil by 2023
Learning and Development Reserve	Used for the benefit of Dorset Police Officers and Dorset Police Staff for training and development purposes	0	Reduce to zero
Uplift Reserve	To hold funds for infrastructure relating to future years uplift programme	0	Nil by March 2023

Home Office Classifications

The Earmarked reserves in the table above meet the HO classification: *Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.*

In addition **General Balances** are held: *As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management.*

There is no material: *Funding for specific projects and programmes beyond the current planning period.*

Forecast Usable Reserves

The forecasts for Usable Reserves over the period of the Medium Term Financial Plan are set out below.

USABLE RESERVES						
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Forecast closing balance at:	31/3/19	31/3/20	31/3/21	31/3/22	31/3/23	31/3/24
	£000's	£000's	£000's	£000's	£000's	£000's
Budget Management Fund	27	0				
Capital Financing Reserve	665	0				
Major Operations Reserve	738	738	738	738	738	738
Police & Crime Plan Reserve	1,063	250	100	100	100	100
Workforce Change Reserve	1,333	686	0			
Regional Collaboration Reserve	231	37	0			
Learning and Development Reserve	0	19	19	15	10	5
Uplift	0	0	200	100	0	0
Total Earmarked Reserves	4,057	1,730	1,057	953	848	843
General Fund Balance	3,957	4,409	4,624	4,724	4,824	4,924
Total Revenue Reserves	8,014	6,139	5,681	5,677	5,672	5,767
Capital Receipts Reserve	1,123	0	0	0	0	0
Total Usable Reserves	9,137	6,139	5,681	5,677	5,672	5,767

RESERVES PRESENTED AS REQUIRED BY THE HOME OFFICE STRATEGY GUIDANCE						
Funding for projects & programmes over the period of the current MTFP	5,180	1,730	1,057	953	848	843
Funding for projects & programmes beyond the current MTFP	0	0	0	0	0	0
General Contingency	3,957	4,409	4,624	4,724	4,824	4,924
Total	9,137	6,139	5,681	5,677	5,672	5,767

FINANCIAL REGULATIONS [extract]

B4 MAINTENANCE OF BALANCES AND RESERVES

Overview

9. The Commissioner must decide the level of general reserves he/she wishes to retain before he/she can decide the level of Council Tax precept. Reserves are maintained as a matter of prudence. They enable the organisation to provide for cash flow fluctuations and unexpected costly events and thereby help protect it from overspending the annual budget, should such events occur. Reserves for specific purposes may also be maintained where it is likely that a spending requirement will occur in the future.

Responsibilities of the Treasurer

10. To advise the Commissioner on reasonable levels of balances and reserves.
11. To report to the Commissioner on the adequacy of reserves and balances before he/she approves the annual budget and precept.
12. To approve appropriations to and from each earmarked reserve. These will be separately identified in the Annual Statement of Accounts.

Responsibilities for the Director of Finance

13. To ensure that the annual revenue budget is sufficient to finance foreseeable operational needs without having to request additional approval.
14. To present a business case to the Treasurer and Commissioner for one-off expenditure items to be funded from earmarked and/or general reserves.

Responsibilities of the Commissioner

15. To approve a policy on reserves and balances, including the minimum acceptable level of general balances.
16. To approve the creation of each earmarked reserve. The purpose, usage and basis of transactions should be clearly identified for each reserve established.
17. To approve the allocation of monies to and from general and earmarked reserves, as part of the annual budget setting process.

C6 TREASURY MANAGEMENT AND BANKING ARRANGEMENTS

Responsibilities of the Audit Committee

11. To consider any policy or strategy regarding loans, investments or borrowing.
12. Consider any policy or strategy regarding reserves

2020/21 BUDGET, PRECEPT AND MEDIUM TERM FINANCIAL STRATEGY**RISKS**

There are clearly numerous risks relating to the 2020/21 budget estimate and future financial projections. The key specific risks are set out below:

1. Change in Political Environment

The potential for changes both nationally through a policy change from the new Government, and locally through the 2020 PCC elections may have an impact on the financial forecasts.

2. Brexit – operational demand

The impact that Brexit may have on Dorset Police is unknown, with the potential for increases in demand as well as the potential for price changes in supplies. Planning is taking place within the Force to address the potential demand and price issues.

3. 2020 Spending Review (SR)

The 2020 Spending Review is expected to show revised forecasts for Home Office spending allocations, although may not provide indications at Force level. The result of the SR may therefore have significant implications for future funding.

4. Formula Funding Review

A review to the allocation of funding between forces may be undertaken during 2020, with the results of the review possibly implemented in 2022/23. The previous formula funding review, which was not implemented, would have provided an additional £4m pa approximately to Dorset Police.

5. Increasing population / expectations / demand

The challenges of policing in Dorset continue to change, with increased population and demand. The introduction of the Organisational Business Design model, and other efficiencies and innovation is helping to address such changes, but clearly the additional burden is a significant factor in financial planning.

6. Emergency Services Network (ESN)

No assumptions have been made in relation to any benefits for the implementation of ESN. An estimate of costs have been included in future years of the capital programme. Indications from Government are that local forces will be expected to incur some of the implementation costs, while some will be met centrally through top slicing. However, revenue savings are also anticipated. A funding strategy will be introduced once clarity on costs and timescales is available.

7. Further top slicing / charges

In addition to the potential top slicing for ESN, other changes to funding may be introduced that have a positive or detrimental impact on Dorset Police. Further information may be available in the SR. The ending of the Police Transformation Fund may increase this risk.

2020/21 BUDGET, PRECEPT AND MEDIUM TERM FINANCIAL STRATEGY**8. Pay Budget**

The financial projections assume 3% for annual pay awards. An increase of 1% to this assumption would result in an additional cost of £0.6m in the first year (as pay awards are implemented from 1st September) rising to £1.1m in the second year.

Overtime budgets have been increased to an achievable level however they still remain challenging and will be closely monitored.

9. Pensions

The specific grant for Police Officer pensions (£1.4m) is assumed to continue annually although this has not been confirmed by the Home Office, and will be reviewed as part of the 2020 SR.

The Local Government Pension Scheme (LGPS) for police staff will be subject to a triennial actuarial valuation in 2022, which may change the required employer contributions to the scheme. The results of the 2019 valuation have been built into the budget and forecasts.

In addition to the ongoing schemes there is the potential for compensation costs from legal action such as McCloud but it is not yet clear if this will be required to be funded locally or nationally.

10. Other Risks

There are also potential risks in the realisation of savings, from the Strategic Alliance, Service Area Reviews and other areas, and changes to the police officer workforce. Workforce risks include changes in numbers of police officer leavers, delivery of recruitment targets, and numbers of officers on secondment.

Continued monitoring of the financial position, and regular updates of the financial projections to reflect emerging information will be essential in managing the financial position over the next few years.

2019/20	BUDGET SUMMARY	2020/21	2020/21
£		£	£
134,667,704	Budget Requirement		141,615,126
	<u>Police Allocation Formula (PAF)</u>		
58,961,862	Police Grant (Home Office)	63,374,657	
7,918,574	Legacy Council Tax Grants	7,918,574	
66,880,436	Total funding		71,293,231
67,787,268	To be met by Council Tax payers		70,321,895
(951,534)	Less: estimated surplus on Collection Fund		(215,320)
66,835,734	PRECEPT REQUIREMENT		70,106,575

PRECEPTS						
Authority	2019/20		increase in tax base %	2020/21		Estimated Surplus on Collection Fund
	Tax Base	PCC Precept		Tax Base	PCC Precept	
Bournemouth, Christchurch & Poole	141,772.0	£32,689,788	0.86%	142,995.7	£34,401,905	£215,320
Dorset Council	148,087.2	£34,145,946	0.22%	148,410.8	£35,704,670	£0
Total	289,859.2	£66,835,734	0.53%	291,406.5	£70,106,575	£215,320

COUNCIL TAX								
Band	A	B	C	D	E	F	G	H
2019/20	£153.72	£179.34	£204.96	£230.58	£281.82	£333.06	£384.30	£461.16
Increase (4.3%)	£6.67	£7.78	£8.89	£10.00	£12.22	£14.44	£16.67	£20.00
2020/21	£160.39	£187.12	£213.85	£240.58	£294.04	£347.50	£400.97	£481.16

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