



## **POLICE & CRIME PANEL – 3 FEBRUARY 2022**

### **2022/23 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 2022/23 budget, precept and the medium term financial strategy.*

#### **1. BACKGROUND**

- 1.1. The Police and Crime Commissioner (PCC) for each force area is 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 17 February 2022 has been set for a second meeting of the Panel, should this become necessary.
- 1.3. 2022/23 will see the final year of the Police Uplift Programme, delivering the latest 8,000 recruits of the 20,000 additional officers to be recruited as part of the programme. This is a welcome investment in policing and Dorset is working hard to meet it's share of the target.
- 1.4. In his written statement made on 16 December 2021, the Minister of State for Crime and Policing said that within the 2022/23 police funding settlement funding for policing would increase by up to £1.1billion compared to 2021/22, assuming Police and Crime Commissioners make full use of the precept flexibility of £10 per year for a Band D property.

#### **2. STRATEGIC APPROACH**

- 2.1. In October 2021, the Police and Crime Commissioner launched his Police and Crime Plan for 2021 – 2029 which sets out the strategic intent for Policing in Dorset. Within the plan there are six priority areas working towards the vision of making Dorset the safest county. The six priority areas are:
  - Cut Crime and Anti-Social Behaviour (ASB)
  - Make Policing More Visible and Connected
  - Fight Violent Crime and High Harm
  - Fight Rural Crime
  - Put Victims and Communities First
  - Make Every Penny Count

- 2.2. 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.
- 2.3. The strategic approach taken to developing the 2022/23 budget proposals is to take a longer term view to ensure that decisions taken are sustainable, building 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 two main sources; government grant and council tax, with the split between the two almost equal. The funding from each source is set out in the table below:

Funding	2021/22 £		2022/23 £		Change £
Government Grant	75,288,055	(50.7%)	78,700,082	(50.0%)	3,412,027
Council Tax Precept Collection Fund Balance	73,476,745 (409,788)		77,929,644 820,667		4,452,899 1,230,455
Total Council Tax funding	73,066,957	(49.3%)	78,750,311	(50.0%)	
Total Core Funding	148,355,012		157,450,393		9,095,381

#### Government Grant

- 3.2. The Spending Review announced in the Autumn was for a three year period, from 2022/23 to 2024/25, and sets out the level of funding each Government Department will have to spend for each year. Key announcements for Policing in the Spending Review included:
- £550m increase in police funding in 2022/23 to deliver the final year of the Police Uplift Programme;
  - Police funding to increase by a further £100m in 2023/24 and another £150m in 2024/25, taking total increases to £650m and £800m respectively when compared with the current year; and
  - £10 council tax referendum limit for Police and Crime Commissioners for each year of the review.
- 3.3. Whilst the Spending Review provided headlines, the detailed funding for each PCC is not announced until the Provisional Finance Settlement in December each year with the final Settlement confirmed in January. For 2022/23 the Provisional Finance Settlement was issued on 16 December 2021 but at the time of writing this report, the Final Settlement had not been confirmed. A verbal update will be provided at the meeting.
- 3.4. 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. The settlement confirmed that the legacy council tax grants would remain at the same level as 2021/22. The £550m increase to the Police Grant was primarily in relation to the Police Uplift Programme but also included allowances for pay and inflation and the increase in National Insurance contributions, however, these were not quantified separately. As in previous years, a proportion of the Uplift funding will be allocated to Police and Crime Commissioners through a ring-fenced grant with the remaining funding allocated through the core grant. Similarly, the ring-fenced grant from 2021/22 has also been moved into core grant.
- 3.5. 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 2022/23, although there would no

longer be a separate capital grant. Instead this has been transferred to the core grant to provide Commissioners with the greatest flexibility.

3.6. The funding for Dorset in 2022/23 is set out below:

	<b>2021/22</b> £	<b>2021/22</b> £
Police Grant	67,369,481	70,781,508
Legacy Council Tax Grant	7,918,574	7,918,574
Total Core Funding	75,288,055	78,700,082
Ring-fenced Grant	829,473	1,119,788
Pension Grant	1,379,367	1,379,367
Capital Grant	110,507	0

### Council Tax

3.7. The council tax precept 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 2022/23 the referendum limit for policing has been set at £10 per year.

3.8. The Minister of State for Crime and Policing's written statement for the provisional 2022/23 police finance settlement set out an assumption that PCCs would maximise this council tax flexibility.

3.9. 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 an average of 1.15% but reduced in 2021/22 by 1.3% as a result of the pandemic. The taxbase was forecast to recover by 1.25% in 2022/23, as the economy began to recover and less households relied on local council tax support, however, recovery has been quicker than expected leading to an increase of 2.07% as set out in the table below.

<b>Band D equivalents</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
Bournemouth, Christchurch & Poole	137,749.2	139,910.2	141,772.0	142,995.7	139,170.5	142,814.0
Dorset	143,982.1	145,724.3	148,087.2	148,410.8	148,319.7	150,617.9
Total Taxbase	281,731.3	285,634.5	289,859.2	291,406.5	287,490.2	293,431.9
Increase / (Decrease)	1.2%	1.4%	1.5%	0.5%	(1.3%)	2.0%

3.10. Whilst this growth means the precept will generate over £1.5m more than 2021/22 before any increase in the Band D charge is considered, the Government provided a one-off grant in 2021/22 of £1.179m to cover some of the losses from the reduction in taxbase. This will not be received in 2022/23 therefore the net effect of the taxbase growth is £0.34m. The taxbase for 2022/23 shows an increase of 0.7% on the pre-pandemic taxbase of 2020/21.

3.11. In addition to the precept, funding also usually 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. Whilst the collection funds for both Dorset Council and Bournemouth Christchurch and Poole Council fell into deficit last year, they have returned to surplus positions for 2022/23. These surpluses are large enough to cover the deficit payments of 2021/22 (being spread over three years) and make a contribution to once off costs included within the budget.

3.12. The table below sets out the position for each council and the overall impact for Dorset Police.

	<b>Bournemouth, Christchurch &amp; Poole</b>	<b>Dorset Council</b>	<b>Total</b>
2020/21 (Deficit)	(421,380)	(51,109)	(472,490)
2021/22 Surplus	499,758	793,398	1,293,157
Net Surplus	78,378	742,289	820,667

3.13. For 2022/23 the proposed council tax precept and collection fund surplus for each local authority area is as follows:

<b>Funding</b>	<b>Bournemouth, Christchurch &amp; Poole £</b>	<b>Dorset Council £</b>	<b>Total £</b>
Council Tax Precept	37,928,542	40,001,102	77,929,644
Collection fund Surplus	78,378	742,289	820,667
<b>Total</b>	<b>38,006,920</b>	<b>40,743,391</b>	<b>78,750,311</b>

#### **4. CHIEF CONSTABLE'S BUDGET**

4.1. Over 98% 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 as well as a number of growth areas. Key cost pressures and assumptions are outlined below, and the detailed budget is set out in Appendix 1.

##### **Pay Budget**

4.2. Pay and Employment costs make up over 85% of the Chief Constable's budget therefore it is unsurprising that it produces the largest budget pressure. The pay award is one of the largest assumptions included within the budget. Following the pay freeze for all but the lowest paid police officers in 2021/22 it is anticipated that a pay award will be granted in 2022/23. The announcement won't be made until the spring at the earliest therefore an assumption of 2.5% has been included. This is consistent with most Forces in the region and a common assumption nationally. The same has been assumed for Police Staff.

4.3. It is anticipated that a multi-year agreement may be reached which would be greatly beneficial for financial planning, however, this introduces a significant risk that the increases may be front loaded as part of the agreement. This would put considerable pressure on reserves if this were to be realised therefore a contingency of £0.5m has also been included to ensure the budget is robust.

- 4.4. In addition to the pay award there are increased costs following the increase to National Insurance contributions for adult social care as well as the contractual pay increments and associated impact on National Insurance and pension contributions from the increases in pay.
- 4.5. The budget also includes increased costs for the additional 67 officers that the Force need to recruit by 31 March 2023 to achieve the Police Uplift Programme targets. This includes three officers to be provided to the Regional Organised Crime Unit. This will then conclude the Uplift Programme to recruit 20,000 officers across the country. This, and the other pay pressures, results in increased costs of the pay budget of £6.1m

### **Inflation**

- 4.6. With inflation currently running at a five year high of 5.4%, the Force is not immune from increasing prices. No general increase has been applied for inflation, however there are a number of budgets where an increase is required. These include utilities and fuel, contracts with a specific inflation factor such as PFI, and other partnerships such as National Police Air Service (NPAS). In total, inflation is around £1.5m for 2022/23.

### **Impacts of the Capital Programme**

- 4.7. The capital programme continues to move towards a sustainable position over the medium term with a further increase to the revenue contribution of £0.6m in 2022/23, increased from the planned £0.5m to cover the loss of capital grant. As the level of increased revenue contributions required for the capital programme cannot be achieved in a single year there are also increased borrowing costs in the short term in order to ensure we continue to invest in our vehicles, estate and ICT infrastructure. In addition, there are a small number of schemes which no longer qualify as capital expenditure and must be funded within the revenue budget. These costs total a further £0.4m in 2022/23.

### **Growth**

- 4.8. There are a number of areas where growth has been requested by the Chief Constable. These include additional maintenance budgets for two years to address Estates work which does not qualify as capital expenditure, as part of the Estates Futures programme; continuation of the DRIVE domestic abuse programme which has previously been grant funded; investment in the Forensic Collision Investigation team; an additional co-ordinator to expand the Cadets scheme and additional resources for recruitment including the Positive Action team. Growth bids total £1.1m, including Estates.

### **Savings**

- 4.9. As part of the budget build, a number of savings have been identified through the challenge review process. These total £1.9m and include reductions in supplies and services budgets, removal of long term vacant posts, more efficient training processes, reduced ICT costs and reduced costs through regional working.
- 4.10. The budget also includes a £0.5m savings target for new savings to be identified during the year. 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 0.3% 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.

### **Conclusion**

- 4.11. In addition to dealing with all of the budget changes detailed above, the publication of the Police and Crime Plan in October has enabled the Force to ensure its whole budget aligns with the new strategic direction. As a result, the Chief Constable has indicated that the proposed budget, including the use of the precept flexibility, would deliver the following improvements:

*Strengthen Neighbourhood Policing:*

By Embedding local Neighbourhood Policing Teams in communities and expanding the Neighbourhood Enforcement Teams to prevent and fight ASB and crime

*Improve Customer Service:*

By transforming public engagement and contact management systems to improve accessibility, including improved on-line reporting, live chat messaging, 'pop up' community contact hubs and improved services to 101 and emergency response

*Fight Violent Crime & High Harm:*

By investing in a new County Lines Task force targeting organised drug supply  
By increasing capability into protecting and safeguarding children from online sex predators  
By better use of specialist resources and partnership initiatives to help protect women and girls from violence, sexual assault, and drink spiking

*Fight Rural Crime:*

By expanding the rural crime team to protect local communities and business owners

*Put Victims and Communities First:*

By investing in digital evidence, crime investigation capability and victim care to bring more offenders to justice.

## **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. In order to achieve a sustainable, affordable programme, the Force is moving to a position where all recurring programme spend is funded from the recurring source of revenue contributions. This approach began in 2020/21 and is forecast to be achieved in 2025/26. Whilst this is a year later than planned, it is as a result of changing timescales of projects such as ESN, rather than new schemes.
- 5.2. The Capital Strategy Group has thoroughly reviewed each scheme, challenging budget holders over timescales and estimated costs in order to develop a realistic, affordable programme based on the latest information. This also included challenge over compliance with capital expenditure rules and resulted in a small number of projects being moved to the revenue budget.
- 5.3. Slippage identified in the current year's programme has been built into the 2022/23 budget and will be kept under review by the Capital Strategy Group. The impacts of the pandemic continue to provide challenges with the cost and availability of materials across the programme and any further slippage at the year end will be added into the 2022/23 programme through the usual carry forward process.
- 5.4. The programme includes the latest estimates for contributions to national projects, primarily the replacement of the Emergency Services Network. However, these estimates regularly change and will be monitored throughout the year.
- 5.5. The final year of the capital programme now only includes funding from revenue contributions. This will require the Force to identify savings of just under £0.5m in order to stay within that budget, which is achievable over the next four years.
- 5.6. 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 through

either cashflow (internal borrowing) or external loans through the PWLB. The full suite of Prudential Indicators are included within the Treasury Management Strategy.

5.7. The summary Capital Programme for 2022/23 to 2025/26 is set out in Appendix 2.

## 6. OFFICE OF THE POLICE AND CRIME COMMISSIONER BUDGET

6.1. The budget for the Office of the Police and Crime Commissioner is exposed to the same challenges as the Force in relation to pay awards, increments and inflation. These have been accommodated where possible but has resulted in a modest increase of £35,000 up to £1.3m for 2022/23.

## 7. PROPOSED PRECEPT

7.1. Following the Provisional Finance Settlement and the confirmation of the £10 council tax referendum limit for 2022/23 the Commissioner consulted the public on the full use of the council tax flexibilities.

7.2. The consultation was launched on 17 December 2021 and ran for 5 weeks until 24 January 2022. During that period, 1,662 responses were received. As a result of the covid restrictions the entire survey has been completed online as the usual face to face roadshows were not able to be undertaken.

7.3. The consultation showed that 77% of respondents agreed that Dorset Police requires additional funding with 67% being willing to pay an extra £0.83 per month to help the Force achieve a balanced budget and recruit more police officers.

7.4. As a result, the PCC is proposing to increase the precept to £77,929,644. This will result in a Band D charge of £265.58, 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:

	<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>	<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
Proportion	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9
2021/22 Charge	£170.39	£198.78	£227.18	£255.58	£312.38	£369.17	£425.97	£511.16
Annual Increase	£6.67	£7.78	£8.89	£10.00	£12.22	£14.44	£16.67	£20.00
2022/23 Charge	£177.06	£206.56	£236.07	£265.58	£324.60	£383.61	£442.64	£531.16

## 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 2025/26. Some of the key assumptions included within the strategy are:

- Pay award of 2.5% per annum from 2023/24
- Core grant increase based on the CSR figures for 2023/24 to 2024/25 and 2% in 2025/26
- Council taxbase increase of 1.5% in 2023/24 followed by 1.25% in future years
- Council tax increase of £10 per annum (equivalent to 3.8% for 2023/24, 3.6% for 2024/25 and 3.5% for 2025/26)

8.2. These assumptions produce the following central case budget position until 2024/25:

	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>
Budget Requirement	163,869	169,827	175,428
Total Funding	161,256	167,146	172,734
Budget Gap	2,613	2,681	2,694

8.3. Whilst the Medium Term Financial Strategy does have budget gaps in each year, the challenge is focussed on next year, as if this can be solved on a permanent basis there are very minor gaps in the subsequent two years. The gap in 2023/24 has primarily arisen as a result of the increased pay award assumptions and lower than previously forecast government grant.

8.4. The Force have already started developing an action plan to address the budget gap for 2023/24 and work will begin shortly. This will be monitored through the Resource Control Board.

8.5. Although the three year Spending Review provided more information than in previous years, without a multi-year finance settlement it is difficult to predict with much certainty what the future funding position might be, therefore best and worst case scenarios have been prepared by adjusting the above key assumptions to determine a range within which the real position might fall. The table below shows the cumulative position of each case over the next three years.

<b>(Surplus) / Deficit</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>
Best Case	1,964	1,086	(1,083)
Central Case	2,613	2,681	2,694
Worst Case	3,857	4,382	6,637

8.6. At this stage, no assessment has been made about any potential impact from the Formula Funding Review which has now begun. Although the initial work on potential variables is expected to report in the Spring, no further timelines regarding consultation or implementation have been announced. In previous reviews, Dorset Police has been due to receive additional funding, however, there is no guarantee that this review will reach a similar conclusion. The work of the national group will be kept under review.

## **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 the cost of uplift or changes to the workforce. They are currently estimated to be in the region of £2.9m by 31 March 2022 before any carry forward requests are made. There is only one use of earmarked reserves for uplift costs of £300,000 included in the 2022/23 budget.

9.2. 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 2022/23, based on net revenue expenditure of approximately £157.5m this would indicate reserves of between £4.72m and £7.87m. General Reserves are estimated to be £5.55m at 31 March 2022. This is equivalent to 3.5% of net revenue expenditure for 2022/23 and drops to 3.3% of net revenue expenditure in 2025/26, based on the central case MTFS.

- 9.3. In order to maintain the General Reserves and with the residual pay award risk in mind, it is proposed to contribute £150,000 of the collection fund surplus in 2022/23 to general reserves, thereby increasing the balance to 3.6% in 2022/23.
- 9.4. As a result, the Chief Finance Officer can confirm that the level of reserves is adequate.
- 9.5. 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. The budget for 2022/23 does include a savings target of £500,000 which represents 0.3% 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 it is material and ultimately could be accommodated from general reserves should the savings not be achieved.
- 10.3. As previously mentioned, pay costs make up the vast majority of costs within the budget. These costs are built up on an individual basis using spreadsheets and are a significant part of the budget build process. As part of their internal audit work this year, SWAP have undertaken a full review of the spreadsheets and any recommendations to further enhance them have been implemented. This provides further assurance that the calculation of this significant area is robust and represents best practice.
- 10.4. The pay award assumption remains the most significant risk within the 2022/23 budget. The 2.5% allowance plus the contingency and contribution to general reserves together means that a reasonable approach has been made to assessing this risk and a robust estimate has been provided.
- 10.5. A key aspect of ensuring the budget is robust is ensuring that once off sources of funding are only utilised for once off expenditure. The Collection Fund surplus represents a significant once off funding source within the 2022/23 budget and has been used to fund once off items of expenditure as set out below:

	£
Gross Collection Fund Surplus	1,293,156
Collection Fund Deficits 2021/22	472,490
Contribution to General Reserves	150,000
Estates maintenance	307,000
Contact and Engagement Project	312,000
Temporary Licensing Resources (part)	51,666
Total	1,293,156

- 10.6. Whilst the Finance Settlement has not been finalised at the time of writing this report, it is not anticipated that significant changes will be made affecting the robustness of the budget. This position will be reviewed once the final details are received and an update provided at the meeting. Further detail on the risks associated with the budget are set out in Appendix 4.
- 10.7. The Chief Finance Officer for the Force has reviewed the estimates and assumptions used in preparing the 2022/23 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 2022/23 to £77,929,644, equivalent to a Band D charge of £265.58, an increase of £10 per annum or £0.83 per month (3.9%), as set out in Appendix 5.

### **JULIE STRANGE CPFA CHIEF FINANCE OFFICER**

Appendix 1 – 2022/23 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

Media Enquiries to: Susan Bloss, Head of Communications & Engagement 01202 229095