



## POLICE & CRIME PANEL – 2 FEBRUARY 2023

### 2023/24 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 2023/24 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 taxpayers. 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 16 February 2023 has been set for a second meeting of the Panel, should this become necessary.
- 1.3. Since this report in February 2022, the UK economy has changed significantly. Inflation has hit a 41-year high and still stands at 10.5%. Energy costs have risen to the extent that Government support has been provided to every household and interest rates have increased from 0.25% to 3.5% and are expected to rise still further. Policing is not immune to these pressures and will face difficult choices as we go forward.

#### 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 2023/24 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	2022/23 £		2023/24 £		Change £
Government Grant	78,700,082	(50.0%)	78,947,888	(48.5%)	247,806
Council Tax Precept	77,929,644		83,406,053		5,476,409
Collection Fund Balance	820,667		520,457		(300,210)
Total Council Tax funding	78,750,311	(50.0%)	83,926,510	(51.5%)	
Total Core Funding	157,450,393		162,874,398		5,424,005

#### Government Grant

- 3.2. The Spending Review announced in the Autumn of 2021 was for a three year period, from 2022/23 to 2024/25, and set 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 2021/22.
- £10 council tax referendum limit for Police and Crime Commissioners for each year of the review.

- 3.3. The Autumn Statement, released on 17 November 2022, confirmed the Government's commitment to the Spending Review. Whilst not mentioning policing specifically, this effectively confirmed the increases previously indicated. The Home Office subsequently indicated the only changes would be the inclusion of the £140m grant for the 2022/23 pay award and the removal of funding previously included in the core grant for the increase to National Insurance for the Social Care Levy which ended in November 2022.

- 3.4. Whilst the Spending Review and Autumn Statement 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 2023/24 the Provisional Finance Settlement was issued on 14 December 2022 but at the time of writing this report, the Final Settlement had not been confirmed. A verbal update will be provided at the meeting. The provisional settlement also outlined additional flexibility in the council tax referendum limit which increased from the £10 announced in the Spending Review to £15 for 2023/24.

- 3.5. 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 2022/23. The £100m increase to the Police Grant included allowances for pay and inflation based on assumptions made in 2021, and the final full year effect of the Police Uplift Programme,

however, these were not quantified separately. The removal of £70m in relation to the National Insurance Contributions reduced this down to £30m.

- 3.6. As in previous years, a proportion of the funding will be allocated to Police and Crime Commissioners through a ring-fenced grant with the remaining funding allocated through the core grant. Somewhat unexpectedly, the £140m funding for the 2022/23 pay award was added to the ringfenced element of the grant rather than being added to the core grant.
- 3.7. 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 2023/24.
- 3.8. The funding for Dorset in 2023/24 is set out below:

	<b>2022/23</b> £	<b>2023/24</b> £
Police Grant	70,781,508	71,029,314
Legacy Council Tax Grant	7,918,574	7,918,574
Total Core Funding	78,700,082	78,947,888
Ring-fenced Grant	1,119,788	2,281,050
Pension Grant	1,379,367	1,379,367

### Council Tax

- 3.9. 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 2023/24 the referendum limit for policing has been set at £15 per year.
- 3.10. The Minister of State for Crime, Policing and Fire's written statement for the provisional 2023/24 police finance 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 an average of 1.15% but reduced in 2021/22 by 1.3% as a result of the pandemic. The taxbase has since started to recover as set out in the table below with an increase of 1.31% for 2023/24, however this is still lower than the taxbase would have been if it had continued to grow by the average 1.15%.

<b>Band D equivalents</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Bournemouth, Christchurch & Poole	139,910.2	141,772.0	142,995.7	139,170.5	142,814.0	144,839.0
Dorset	145,724.3	148,087.2	148,410.8	148,319.7	150,617.9	152,424.0
Total Taxbase	285,634.5	289,859.2	291,406.5	287,490.2	293,431.9	297,263.0
Increase / (Decrease)	1.4%	1.5%	0.5%	(1.3%)	2.0%	1.3%

- 3.12. This growth in taxbase means the precept will generate over £1m more than 2022/23 before any increase in the Band D charge is considered.
- 3.13. 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 during the pandemic, they have returned to surplus positions for 2023/24. These surpluses are large enough to cover the deficit payments of 2020/21 (being spread over three years) and make a contribution to once off costs included within the budget.
- 3.14. The table below sets out the position for each council and the overall impact for Dorset Police.

	Bournemouth, Christchurch & Poole	Dorset Council	Total
2020/21 (Deficit)	(421,380)	(51,109)	(472,490)
2022/23 Surplus	448,455	544,491	992,946
Net Surplus	27,075	493,382	520,457

- 3.15. For 2023/24 the proposed council tax precept and collection fund surplus for each local authority area is as follows:

Funding	Bournemouth, Christchurch & Poole £	Dorset Council £	Total £
Council Tax Precept	40,638,927	42,767,126	83,406,053
Collection fund Surplus	27,075	493,382	520,457
Total	40,666,002	43,260,508	83,926,510

#### 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. 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 almost 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. In 2022/23 the pay award assumption for both officers and staff was 2.5% with an additional contingency of £0.5m, equivalent to around 3% in total. Once all negotiations had been concluded the final agreed pay award was £1,900 per FTE, on average equivalent to 5%. As this was significantly above the increase assumed in the CSR an additional grant was provided which continues into 2023/24 however this is ringfenced and does not cover the full costs.

- 4.3. The announcement on the 2023/24 pay award won't be made until the spring at the earliest therefore an assumption of 2% has been included in line with the CSR assumptions. This applies from 1 September 2023. The same has been assumed for Police Staff.

- 4.4. In addition to the pay award there are increased costs for contractual pay increments and associated impact on National Insurance and pension contributions from the increases in pay.
- 4.5. Whilst the Force will have achieved the uplift target of officers by 31 March 2023 some will only have been budgeted for part of the year, therefore 2023/24 will need to include the full year effect of all uplift officers. This, and the other pay pressures, results in increased costs of the pay budget of £5.6m. This is partially offset by the additional ringfenced pay award grant of £1.2m.

### **Inflation**

- 4.6. Inflation hit a 41 year high in October and whilst it has reduced a little since then CPI still remains at 10.5% having a significant impact on the costs of contracted services. Energy costs are a key driver in the inflation rate and result in the highest value inflationary increase. Whilst energy is procured in the most efficient way through a national contract, and the rates paid are below the level where Government support is applied, the increases for 2023/24 still total £1.2m.
- 4.7. Many contracts also increase by specific inflation measures such as PFI and IT contracts. PFI alone will increase by £0.9m and all other contracts totalling £1.0m. No general inflation increase has been applied with budget holders expected to work within their existing budgets, but the total inflation pressure is over £3.1m for 2023/24.
- 4.8. As a result of the uncertainties around inflation rates, and the risk that the pay award may be higher and further grant support not forthcoming, it is prudent to include an inflation contingency of £0.8m to ensure the robustness of the budget.

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

- 4.9. The capital programme continues to move towards a sustainable position over the medium term with a further increase to the revenue contribution of £0.5m in 2023/24. 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 order to ensure we continue to invest in our vehicles, estate and ICT infrastructure. Combined with the increasing interest rates these total £0.6m for 2023/24.

### **Growth**

- 4.10. Despite the pressures there are still a number of areas where growth has been requested by the Chief Constable. These include the second year of additional maintenance budgets to address Estates work which does not qualify as capital expenditure, as part of the Estates Futures programme; increased resources for Firearms licensing and one off investment into the regional forensics service. These total approximately £1.1m although there are choices over how some of these are funded as outlined in paragraph 4.14.

### **Efficiency Savings**

- 4.11. In order to address the forecast gap at February 2022, the Force have undertaken a number of steps utilising their usual budget review and a new cost challenge process in order to thoroughly challenge the base budget and identify savings which do not impact on service delivery. This has identified £3.0m of savings which have been removed from the budget
- 4.12. As part of the review to the capital programme, each budget holder has been challenged on the deliverability of their projects within the programme. Whilst all are committed to delivering their projects on time, based on past experience, it is inevitable that there will be some slippage. It has therefore been agreed to introduce an allowance for slippage into the budget to reflect that this would result in either reduced revenue contributions or borrowing costs. This allowance of £0.5m brings the total efficiency savings to £3.5m.

## **Summary Position and Balancing the Budget**

- 4.13. Despite the above efficiency savings, the increased pressures mean there is a budget gap of £8.2m. An increased precept, as requested by the Chief Constable would generate an additional £4.4m but this still leaves a gap of around £3.8m. This has led the Force to consider further savings options.
- 4.14. The Force has reviewed the carry forwards from 2021/22 and freed up £0.3m which can be used to fund some of the once off elements of the regional forensics' growth bid. This funding is currently in the Budget Management Reserve and so will be transferred into the revenue budget in 2023/24. Other growth bids have also been reviewed and reduced by £0.1m to reflect that they will not be implemented from 1 April 2023. A further £0.2m will be released from the Uplift Reserve to fund work to the Estate required to accommodate additional officers.
- 4.15. As part of its transformation programme the Force has invested in Robotic Process Automation. This looks to automate and use technology to complete processes to deliver efficiency savings. As this starts to be rolled out across the Force, a target of £0.15m savings has been set.
- 4.16. With the majority of the budget relating to pay, the majority of savings needed to balance the budget will need to come from changes to the workforce. It is estimated that £3.2m can be released from reviewing vacancies and how, and if, they are filled, alongside the workforce mix. This will include holding some posts vacant whilst others may be filled by police officers, depending on the role, and include some service area reviews. Longer term, the work on detailed demand modelling with Process Evolution is expected to bring benefits such as optimised resource allocations and ensuring the right levels of officers and staff are in the right place at the right time, however, this work is not sufficiently advanced to build into the budget at this time.
- 4.17. The savings listed above would result in a balanced budget for 2023/24.

## **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 but will take some time before this can be achieved.
- 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.
- 5.3. Slippage identified in the current year's programme has been built into the 2023/24 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 2023/24 programme through the usual carry forward process. As outlined in paragraph 4.12 an allowance for slippage of 2023/24 schemes has been included within the programme reflecting the continuation of extended lead times and procurement challenges.
- 5.4. The programme includes the latest estimates for contributions to national projects, primarily the replacement of the Emergency Services Network. The costs over the current MTFS have reduced significantly due to delays in the overall programme, with the main costs now expected in 2028/29 and 2029/30.

- 5.5. In addition to the revenue contributions, the main source of funding for the capital programme is 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.
- 5.6. The summary Capital Programme for 2023/24 to 2026/27 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 an increase of £0.16m up to £1.46m for 2023/24.
- 6.2. The commissioning budget has been constant at £1m for many years. Increases in demand, in some cases in excess of 50%, and the pressure of inflationary increases have now become untenable. This position was relieved slightly during the pandemic where demand reduced and additional covid grants were provided to services. These grants are now ending and an increase in the commissioning budget is required in order to maintain the vital services to vulnerable victims. An increase of £0.5m has been included within the above budget proposals and even with this increase, the commissioning budget will still be less than 1% of the overall budget.

## **7. PROPOSED PRECEPT**

- 7.1. Following the Provisional Finance Settlement and the confirmation of the £15 council tax referendum limit for 2023/24 the Commissioner is consulting the public on the full use of the council tax flexibilities.
- 7.2. The consultation was launched on 16 December 2022 and will run for 6 weeks until 31 January 2023. For the first time since 2019/20 we have been able to undertake face to face roadshows in addition to the online elements of the survey. At the time of writing the survey is still open therefore a verbal update will be provided at the meeting on the final results.
- 7.3. As at 23 January 2023 there had been 1,529 responses with 74% of respondents agreeing that Dorset Police requires additional funding, and 60% being willing to pay an extra £1.25 per month to help the Force achieve a balanced budget.
- 7.4. The percentage of respondents willing to pay the extra cost per month has reduced from last year with those responding ‘no’ most commonly stating that either central government should contribute more or citing the cost-of-living crisis. In terms of the latter, the primary means of addressing the affordability difficulties is the Local Council Tax Support (LCTS) Schemes operated by the two councils in Dorset. Both are means tested but provide support to those on low incomes of up to 100% of the bill for pensioners and up to 80% for working age claimants in BCP and up to 90% for working age claimants in the Dorset Council area.
- 7.5. It was reassuring to read in the Dorset Council budget report that they had ‘given full consideration to the effectiveness of the scheme and the impact of covid 19 and the cost of living crisis’ and that no changes were required this year. It is noted however that a full review of the scheme is scheduled for 2023/24 and look forward to contributing to the consultation.
- 7.6. In addition to the LCTS scheme, councils across the country have been provided with an extra £100m as a Council Tax Support Fund to provide support to the most vulnerable

households in England. Across the two councils in Dorset this totals over £1.2m. According to the Department of Levelling Up, Housing and Communities (DLUHC) this funding will allow councils to deliver additional support to existing LCTS claimants whilst also providing resources and flexibility to determine the local approaches to support other vulnerable households in their area.

- 7.7. As a result, the PCC is proposing to increase the precept to £83,406,053. This will result in a Band D charge of £280.58, an increase of £15 per annum or £1.25 per month.
- 7.8. 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
2022/23 Charge	£177.05	£206.56	£236.07	£265.58	£324.60	£383.62	£442.63	£531.16
Annual Increase	£10.00	£11.67	£13.33	£15.00	£18.33	£21.66	£25.00	£30.00
2023/24 Charge	£187.05	£218.23	£249.40	£280.58	£342.93	£405.28	£467.63	£561.16

## **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 2026/27. Some of the key assumptions included within the strategy are:
  - Pay award of 3% per annum from 2024/25.
  - Core grant increase based on the CSR figures for 2024/25 and 2% thereafter.
  - Council taxbase increase of 1% each year.
  - Council tax increase of £10 per annum (equivalent to 3.6% for 2024/25, 3.4% for 2025/26 and 3.3% in 2026/27).

- 8.2. These assumptions produce the following central case budget position until 2026/27:

	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>
Budget Requirement	169,081	174,241	180,141
Total Funding	167,667	173,018	178,467
Budget Gap	1,414	1,223	1,674

- 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 2 years.
- 8.4. The now established Efficiency Board of the Force will continue its work to address the budget gap for 2024/25 as well as delivering the savings for 2023/24. This will be monitored through the Resource Control Board.
- 8.5. Although the 3 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 3 years.

(Surplus) / Deficit	2024/25 £'000	2025/26 £'000	2026/27 £'000
Best Case	(147)	(1,251)	(1,734)
Central Case	1,414	1,223	1,674
Worst Case	2,681	4,266	6,918

- 8.6. At this stage, no assessment has been made about any potential impact from the Formula Funding Review which is in progress. We are still waiting for the initial consultation on the potential factors to be included. 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.
- 8.7. No allowance has also been made for any additional precept arising from changes to premiums for second homes and empty properties. Whilst this may impact on 2024/25 at the earliest, the Levelling Up and Regeneration Bill has not yet received royal assent therefore the legislation is not in place to enable higher premiums to be charged and is subject to approval by the billing authorities.

## 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 £3.4m by 31 March 2023 before any carry forward requests are made. There are 2 uses of earmarked reserves included in the 2023/24 budget - £200,000 for uplift costs from the Uplift Reserve and £306,000 for the regional forensics' growth, funded from the Budget Management Reserve.
- 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 2023/24, based on net revenue expenditure of approximately £162.9m this would indicate reserves of between £4.89m and £8.14m. General Reserves are estimated to be £5.7m at 31 March 2023. This is equivalent to 3.5% of net revenue expenditure for 2023/24 and drops to 3.2% of net revenue expenditure in 2026/27, based on the central case MTFS.
- 9.3. In order to maintain the General Reserves and with the residual inflation risk in mind, it is proposed to contribute £100,000 of the collection fund surplus in 2023/24 to general reserves, thereby increasing the balance to 3.6% in 2023/24.
- 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 base budget has undergone comprehensive review and challenge by Finance, Budget Holders and the Senior Executive of the Force as part of the Cost Challenge process and has been overseen by the Efficiency Board.

- 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. The pay award assumption remains a key risk within the 2023/24 budget. The 2.0% allowance plus the inflation 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.
- 10.4. The budget for 2023/24 includes a number of savings over and above the efficiency savings already identified and delivered. The plan put forward by the Force is based on reasonable assumptions, such as turnover rates and is deliverable based on information available at this point in time.
- 10.5. It should be recognised that the final makeup of savings delivered is unlikely to match up with these plans exactly. Other savings which may be achieved throughout the year, such as the inflation contingency not being required to its full extent, would enable the savings from workforce changes, for example, to be reduced. The delivery of savings will be closely monitored through the Resource Control Board to ensure that the plans outlined in this report are followed until equivalent alternative savings are delivered.
- 10.6. The budget for 2023/24 does not include an additional unidentified savings target as it has done in previous years. Therefore, the Force can focus on the challenge of delivering the savings outlined above.
- 10.7. 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 2023/24 budget and has been used to fund once off items of expenditure as set out below:

	£
Gross Collection Fund Surplus	992,946
Collection Fund Deficits 2021/22	472,490
Contribution to General Reserves	100,000
Estate maintenance (part)	150,000
Temporary Resources (part)	270,456
Total	992,946

- 10.8. The use of earmarked reserves are also related to once off costs with the Uplift Reserve being used to fund the other part of the estates maintenance costs (works required in order to accommodate more officers) and the Budget Management Reserve being used for temporary resources within regional forensics.
- 10.9. 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.
- 10.10. The Chief Finance Officer for the Force has reviewed the estimates and assumptions used in preparing the 2023/24 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. CONCLUSION AND RECOMMENDATION**

- 11.1. The Panel will be aware of the progress made against the Police and Crime Plan as set out in the Quarterly Monitoring Report on each agenda. Some notable achievements include:
- Sixth lowest crime rate in the Country
  - 30% reduction in Anti-Social Behaviour
  - Launch of Operation Viper against county lines gangs
  - Increase in Rural Crime Team
  - Increase in Neighbourhood Policing
- 11.2. Like all forces and other public sector bodies, the Force is facing significant cost pressures as outlined in this report. In order to address these pressures and continue the good work in delivering the Police and Crime Plan, maintain the investment from the Police Uplift Programme and an additional 15 officers, it is necessary to increase the precept. Without the proposed increase, these investments would not be possible and would lead to a reduction in frontline services.
- 11.3. The Police and Crime Panel are, therefore, recommended to consider the PCC's proposal to increase the precept for 2023/24 to £83,406,053, equivalent to a Band D charge of £280.58, an increase of £15 per annum or £1.25 per month (5.6%), as set out in Appendix 5.

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

- Appendix 1 – 2023/24 Budget Requirement  
Appendix 2 – Capital Programme  
Appendix 3 – Reserves Strategy  
Appendix 4 – Risks  
Appendix 5 – Council Tax Requirements

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## 2023/24 BUDGET, PRECEPT AND MEDIUM TERM FINANCIAL STRATEGY

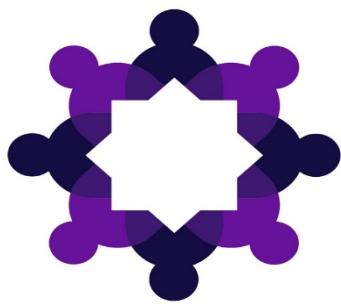
## Detailed 2023/24 Budget Requirement

Category	Description	22/23 Budget £000's	23/24 Budget £000's	24/25 Budget £000's	25/26 Budget £000's	26/27 Budget £000's
Pay & Employment Costs	Police Officer Pay	80,073	83,270	85,473	87,637	90,230
	Police Officer Overtime	3,532	3,708	3,672	3,921	4,428
	Police Staff Pay	44,860	44,054	44,486	46,036	47,425
	Police Staff Overtime	676	739	708	734	775
	Restructure, Training & Conference Costs	1,368	1,360	1,224	1,248	1,248
	Police Officer Injury/Ill Health Pensions	1,997	2,206	2,357	2,477	2,602
	Other Employee Expenses	593	485	495	506	517
<b>Pay &amp; Employment Costs Total</b>		<b>133,099</b>	<b>135,821</b>	<b>138,414</b>	<b>142,558</b>	<b>147,226</b>
Overheads	Premises Related Expenditure	18,669	21,251	21,702	21,415	21,718
	Supplies and Services	6,346	6,597	6,972	6,743	6,870
	Communications and Computing	6,811	7,177	7,335	7,557	7,873
	Transport Related Expenditure	2,570	2,491	2,594	2,700	2,805
	Third Party Payments	6,242	7,222	7,620	7,509	7,595
<b>Overheads Total</b>		<b>40,637</b>	<b>44,738</b>	<b>46,222</b>	<b>45,923</b>	<b>46,860</b>
Grant, Trading & Reimbursement Income	Government & Overseas Funding	(11,396)	(12,438)	(12,462)	(12,520)	(12,580)
	Interest/ Investment Income	(6)	(160)	(140)	(110)	(90)
	Local Government Specific/Partnership Funding	(622)	(620)	(620)	(620)	(620)
	Reimbursed Services	(5,455)	(6,064)	(6,178)	(6,250)	(6,319)
	Sales, Fees, Charges and Rents	(4,519)	(5,305)	(5,244)	(5,269)	(5,204)
	Special Police Services	(279)	(308)	(310)	(312)	(314)
<b>Grant, Trading &amp; Reimbursement Income Total</b>		<b>(22,277)</b>	<b>(24,895)</b>	<b>(24,954)</b>	<b>(25,081)</b>	<b>(25,126)</b>
Capital Financing and Contributions	Interest Paid	37	600	1,080	1,270	1,340
	Loan Charges	120	118	107	107	107
	Minimum Revenue Provision	771	642	1,206	1,867	1,991
	Revenue Contribution to Capital	2,909	3,288	4,229	4,421	4,521
<b>Capital Financing and Contributions Total</b>		<b>3,837</b>	<b>4,649</b>	<b>6,622</b>	<b>7,665</b>	<b>7,959</b>
Transfers to / (from) Specific Reserves	Transfers to/from Revenue and Capital Reserves	(150)	(406)	(249)	100	100
<b>Transfers to / (from) Reserves Total</b>		<b>(150)</b>	<b>(406)</b>	<b>(249)</b>	<b>100</b>	<b>100</b>
<b>Total Force</b>		<b>155,146</b>	<b>159,906</b>	<b>166,055</b>	<b>171,165</b>	<b>177,019</b>
Office of the PCC	Dorset Office of the PCC	1,301	1,464	1,522	1,572	1,619
PCC Commissioning	Dorset PCC Commissioning	1,004	1,504	1,504	1,504	1,504
<b>Total OPCC</b>		<b>2,305</b>	<b>2,968</b>	<b>3,026</b>	<b>3,076</b>	<b>3,123</b>
<b>Net Revenue Expenditure</b>		<b>157,450</b>	<b>162,874</b>	<b>169,081</b>	<b>174,241</b>	<b>180,141</b>

## 2023/24 BUDGET, PRECEPT AND MEDIUM TERM FINANCIAL STRATEGY

## Capital Programme 2023/24 to 2026/27

	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's
Vehicles	924	983	871	1,105
Building Works	15,123	4,403	2,820	2,805
ICT				
- PRISM	1,233	373	168	500
- Other ICT	2,114	2,299	1,888	2,124
Other				
- National Projects including Emergency Services Network	190	170	171	100
Equipment	637	412	1,276	700
Slippage	(500)	(400)	(300)	(200)
Total Capital Expenditure	19,721	8,240	6,894	7,134
Grant	23	0	0	0
Capital Receipts	0	0	0	0
Revenue Funding	3,288	4,229	4,421	4,521
Borrowing	16,410	4,011	2,473	2,613
Total Funding	19,721	8,240	6,894	7,134



# DORSET

POLICE & CRIME  
COMMISSIONER

## DAVID SIDWICK

**RESERVES STRATEGY**

**2023/24 to 2026/27**

**POLICE AND CRIME COMMISSIONER FOR DORSET  
RESERVES STRATEGY 2023/24 to 2026/27**

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# **POLICE AND CRIME COMMISSIONER FOR DORSET**

## **RESERVES STRATEGY 2023/24 to 2026/27**

### **1.0 Background**

- 1.1 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.
- 1.2 The reserves strategy supports the annual budget and medium term financial plan, as reported to the Police and Crime Panel in February each year.

### **2.0 Scope**

- 2.1 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.
- 2.2 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.
- 2.3 This Reserves Strategy sets out the PCC's approach to the management of Usable Reserves.

### **3.0 Guidance**

- 3.1 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 Financial 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.
- 3.2 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.
- 3.3 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.
- 3.4 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.

# POLICE AND CRIME COMMISSIONER FOR DORSET RESERVES STRATEGY 2023/24 to 2026/27

3.5 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.

## 4.0 Responsibilities

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

## 5.0 Reserves Strategy

5.1 The PCC's policy statement is set out in the table below.

### 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 Financial 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 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.

**POLICE AND CRIME COMMISSIONER FOR DORSET  
RESERVES STRATEGY 2023/24 to 2026/27**

5.2 The following earmarked reserves balances are held:

Name of Earmarked Reserve	Purpose	Opening balance 1 April 2022 £'000s	Target level
Budget Management Fund	To hold year end underspends for carry forward to the following year.	2,140	Opening Balance to be cleared during the year
Police and Crime Plan	To fund planned Police and Crime Plan developments.	865	£200,000 by 2025
Office of the Police and Crime Commissioner Legal Reserve	To fund future legal costs	178	£150,000 by 2023
Workforce Change Reserve	To fund one-off and transitional costs of change programmes including the Strategic Alliance with Devon & Cornwall Police.	643	Nil by 2026
Regional Collaboration Reserve	To hold funds related to past underspends and future planned spending for regional collaborations	73	Nil by 2023
Learning and Development Reserve	Used for the benefit of Dorset Police Officers and Dorset Police Staff for training and development purposes	46	Reduce to zero
Policing Education Qualifications Framework (PEQF) Reserve	To fund the costs of the PEQF across the MTFP	287	Nil by 2024
Uplift Reserve	To hold funds for infrastructure relating to future years uplift programme	849	Nil by 2024
Office of the Police and Crime Commissioner Reserve	To fund additional projects and pilot schemes within the Office	219	Nil by 2026

### 5.3 Home Office Classifications

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

5.3.2 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.*

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

**POLICE AND CRIME COMMISSIONER FOR DORSET  
RESERVES STRATEGY 2023/24 to 2026/27**

#### **5.4 Total Usable Reserves**

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

<b>USABLE RESERVES</b>						
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
Closing Balance as at:	<b>31/03/22</b>	<b>31/03/23</b>	<b>31/03/24</b>	<b>31/03/25</b>	<b>31/03/26</b>	<b>31/03/27</b>
	<b>Actual</b>	<b>Forecast</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Budget Management Fund	<b>2,140</b>	557	0	0	0	0
Police and Crime Plan Reserve	<b>865</b>	865	400	200	0	0
Office of the Police and Crime Commissioner Legal Reserve	<b>178</b>	178	178	150	150	150
Workforce Change Reserve	<b>643</b>	643	643	0	0	0
Regional Collaboration Reserve	<b>73</b>	73	0	0	0	0
Learning and Development Reserve	<b>46</b>	46	30	15	10	5
Policing Education Qualifications Framework (PEQF) Reserve	<b>287</b>	287	287	0	0	0
Uplift	<b>849</b>	549	349	0	0	0
Dorset Office of the Police and Crime Commissioner Reserve	<b>219</b>	219	219	219	219	219
<b>Total Earmarked Reserves</b>	<b>5,300</b>	<b>3,417</b>	<b>2,106</b>	<b>584</b>	<b>379</b>	<b>374</b>
General Fund Balance	<b>5,550</b>	5,700	5,800	5,900	6,000	6,100
<b>Total Revenue Reserves</b>	<b>10,850</b>	<b>9,117</b>	<b>7,906</b>	<b>6,484</b>	<b>6,379</b>	<b>6,474</b>
Capital Receipts Reserve	<b>1,071</b>	315	315	315	315	315
<b>Total Usable Reserves</b>	<b>11,921</b>	<b>9,432</b>	<b>8,221</b>	<b>6,799</b>	<b>6,694</b>	<b>6,789</b>

**POLICE AND CRIME COMMISSIONER FOR DORSET  
RESERVES STRATEGY 2023/24 to 2026/27**

5.4.2 The following table sets out the reserves as required by the Home Office strategy guidance.

	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
Closing Balance as at:	<b>31/03/22</b>	<b>31/03/23</b>	<b>31/03/24</b>	<b>31/03/25</b>	<b>31/03/26</b>	<b>31/03/27</b>
	<b>Actual</b>	<b>Forecast</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Funding for projects and programmes over the period of the current MTFP	6,371	3,732	2,421	899	694	689
Funding for projects and programmes beyond the current MTFP	0	0	0	0	0	0
General Contingency	5,550	5,700	5,800	5,900	6,000	6,100
<b>Total</b>	<b>11,921</b>	<b>9,367</b>	<b>8,407</b>	<b>6,799</b>	<b>6,694</b>	<b>6,789</b>

**POLICE AND CRIME COMMISSIONER FOR DORSET  
RESERVES STRATEGY 2023/24 to 2026/27**

**Appendix A**

**FINANCIAL REGULATIONS [extract]**

**Maintenance of Reserves and Balances**

- 3C.44 The PCC holds all reserves and balances.
- 3C.45 The Treasurer is responsible for creating a reserves strategy in consultation with the CFO.
- 3C.46 The Treasurer is responsible for advising the PCC about the level of reserves that the PCC holds and for ensuring there are clear protocols for their establishment and use. For each earmarked reserve held by the PCC there should be a clear protocol setting out:
  - a. The reason for/purpose of the reserve.
  - b. How and when the reserve can be used.
  - c. Procedures for the reserve's management and control.
  - d. A process and timescale for review of the reserve to ensure continuing relevance and adequacy.
- 3C.47 The Treasurer and the CFO will keep any legal or constructive obligations (liabilities) under review throughout the year. Any changes to the provisions or reserves required in relation to such liabilities will be reflected in the regular budget monitoring reports to the Resource Control Board.
- 3C.48 In addition to the regular review outlined above the Director of Legal, Reputation and Risk will report formally to the appropriate governance board on the level of the outstanding liabilities and potential liabilities of the PCC and the Chief Constable as at 30 September and 31 March of any given financial year.
- 3C.49 The Treasurer and CFO have a duty to report on the robustness of estimates and the adequacy of reserves and provisions when the PCC is considering the budget. In particular the Treasurer must assess the adequacy of unallocated general reserves taking into account the strategic, operational and financial risks facing the PCC. In coming to this view the Treasurer must seek the advice of the CFO and of the Chief Constable on major policing risks facing the Force.
- 3C.50 The PCC shall approve the creation of reserves and appropriations to and from general balances and reserves. To enable the PCC to reach their decision the Treasurer shall report the factors that influenced their judgement, and ensure the advice given is recorded formally.

**2023/24 BUDGET, PRECEPT AND MEDIUM TERM FINANCIAL STRATEGY****RISKS**

There are clearly numerous risks relating to the 2023/24 budget estimates and future financial projections. The key specific risks are set out below:

**1. Pay Budget**

The financial projections assume 2.0% for annual pay award from 2023/24 and 3% for the rest of the Medium Term Financial Plan. An increase of 1% to this assumption would result in an additional cost of £0.8m in the first year (as pay awards are implemented from 1<sup>st</sup> September) rising to £1.3m in the second year. An inflation contingency has been included to cover the risk of a higher pay award being agreed as well as increased inflation, however, additional funding could also be provided as in 2022/23.

**2. Inflation**

Inflation has been included on budgets where increases are known or have specific inflationary increases which apply. Primarily these relate to energy costs, PFI contract and IT contracts. These have been based on either published rates or estimates for future inflation. In order to mitigate against further increases an inflation contingency has been included to cover supplies and services as well as pay award.

**3. 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 annual settlement process.

The Police Officer Pension Scheme will be subject to an actuarial valuation in 2023, which may change the required employer contributions to the scheme from 2024/25. Any increases are assumed to be covered by additional government grant.

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.

**4. 2021 Spending Review (SR)**

The 2021 Spending Review outlined the forecasts for Home Office spending allocations for 2022 - 2025, and forecasts have been made for potential funding allocations for Dorset from these figures. Detail will be provided annually, and forecasts will be updated accordingly. For years beyond 2024/25 and increase of 2% in line with the Bank of England inflation target has been assumed.

**5. Formula Funding Review**

A review to the allocation of funding between forces has started with initial consultation on work completed to date expected in Spring 2023. No timetables have been announced for the potential implementation of any changes and this is likely to be contentious between forces as some will gain and others will lose. There is no indication of additional funding being provided to smooth any implementation therefore it is likely to be a slow process.

**2023/24 BUDGET, PRECEPT AND MEDIUM TERM FINANCIAL STRATEGY**

Whilst the previous formula funding review, which was not implemented, would have provided an additional £4m pa approximately to Dorset Police, there is no guarantee that a similar outcome will be generated by the latest review.

**6. Increasing population / expectations / demand**

The challenges of policing in Dorset continue to change, with increased population and demand. The Force continue to review their operational capacity and capability in order to address the demand, but clearly the additional burden is a significant factor in financial planning.

**7. Emergency Services Network (ESN)**

No assumptions have been made in relation to any benefits for the implementation of ESN. An estimate of costs has been included in the capital programme although these are substantially reduced as the overall project has been further delayed. 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.

**8. 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.

**9. Change in Political Environment**

The potential for changes nationally through a policy change from the Government are thought to be limited in the short term. PCC elections are due to be held in 2024, with a General Election possibly held around the same time which could impact on later years of the Medium Term Financial Plan.

**10. Other Risks**

There are also potential risks in the realisation of savings 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.

DORSET POLICE AND CRIME COMMISSIONER - COUNCIL TAX REQUIREMENT

APPENDIX 5

2022/23	BUDGET SUMMARY	2023/24	2023/24
£		£	£
157,450,393	<b>Budget Requirement</b>		162,874,398
	<b><u>Police Allocation Formula (PAF)</u></b>		
70,781,508	Police Grant (Home Office)	71,029,314	
7,918,574	Legacy Council Tax Grants	7,918,574	
<b>78,700,082</b>	<b>Total funding</b>		<b>78,947,888</b>
78,750,311	To be met by Council Tax payers		83,926,510
(820,667)	<i>Less: estimated surplus / Plus: estimated deficit on Collection Fund</i>		(520,457)
<b>77,929,644</b>	<b>PRECEPT REQUIREMENT</b>		<b>83,406,053</b>

PRECEPTS						
Authority	2022/23		Increase in tax base %	2023/24		Estimated Surplus on Collection Fund
	Tax Base	PCC Precept		Tax Base	PCC Precept	
Bournemouth, Christchurch & Poole	142,814.0	£37,928,542	1.42%	144,839.0	£40,638,927	£27,075
Dorset Council	150,617.9	£40,001,102	1.20%	152,424.0	£42,767,126	£493,382
Total	293,431.9	£77,929,644	1.31%	297,263.0	£83,406,053	£520,457

COUNCIL TAX								
Band	A	B	C	D	E	F	G	H
2022/23	£177.05	£206.56	£236.07	£265.58	£324.60	£383.62	£442.63	£531.16
Increase (5.65%)	£10.00	£11.67	£13.33	£15.00	£18.33	£21.66	£25.00	£30.00
2023/24	£187.05	£218.23	£249.40	£280.58	£342.93	£405.28	£467.63	£561.16