



BOARD REPORT

PCC Strategic Board – 25 January 2018

Report Title: Revenue Budget 2018/19

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Report for: PCC

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1. Executive Summary

- 1.1 The 2018/19 revenue budget has been built around the Commissioner's Police and Crime Plan and has been considered by the Commissioner and Chief Constable both in the short and longer term. It has been developed to ensure that;
- It demonstrates the strongest possible management of available finances
 - While savings plans need to be developed further it will deliver a balanced budget to 2021/22 with the use of the budget reserve.
 - Is able to protect and enhance front line officer numbers and local policing capability.
- 1.2 The budget reflects the Police and Crime Plan commitment to achieve the required savings in a transformative way, with a focus on boosting the frontline, protecting those most vulnerable and ensuring that all communities have an effective community policing capability. In addition to continuing the good work that has happened through collaboration with other Police Forces, Partners and Blue Light Services we will continue to exploit all opportunities for the force to work in new and innovative ways that may attract further funding.
- 1.3 The Police Grant for 2018/19 was announced on 19 December, this equated to £62.8M, the same level as the previous year, despite this being a cash freeze, it was higher than anticipated as we had planned for a 1.4% reduction equating to £879K. This meant we were able to revise our assumptions to allow for a 2% pay award in Sept 2018 and the Police & Crime Commissioner (PCC) was still in a position to be able to recommend a balanced draft budget. Additional flexibility afforded to PCC's throughout the Country to increase council tax by up to £12 per annum per band D property has allowed the PCC to

make material changes to the initial growth assumptions by increasing officer the Force establishment by 100 officers over the next four years.

- 1.4 In line with the Policing Ministers settlement announcements the 2018/19 draft budget and medium term financial forecasts have been prepared on the basis that the Commissioner will increase Council Tax by the maximum amount allowed without invoking a referendum. While it had been anticipated that this would be just below 2%, the figure for 2018/19 and 2019/20 was announced as £12, this is the equivalent to a 7.22% increase of the Police element for Bedfordshire in 2018/19.
- 1.5 Up until the settlement announcement and as a result of savings plans being in place, the PCC had expected to be able to set a balanced budget in 2018/19 by using £1.0M worth of funding from the budget reserve. Since the announcement the growth plan has been enhanced by 100 officers over 4 years with growth of 40 officers planned during 2018/19. It should be noticed that while the PCC can set a balanced budget in 2018/19 without the need to part fund it from the budget reserve this is not likely to be the case in future years.
- 1.6 The use of reserves in 2018/19 will be limited to that which is required to support the implementation of the large change programmes associated with collaboration and support of the continuous improvement team within Bedfordshire. Some funds will be provided to support temporary posts as required.
- 1.7 Following the settlement announcement and the tax base information from the Bedfordshire Unitary Authorities the proposed budget equates to **£107.572M** before any savings are taken. The savings available for the Force equate to **£2.346M** meaning a net budget of **£105.226M** is attainable. Based on the agreed council tax increase of £12 (7.22%) the funding available to the Force is **£105.226M** resulting in a balanced proposed 2018/19 budget.
- 1.8 This equates to a cash increase of **£3.023M** compared to the 2017/18 budget which has allowed the PCC to budget for a 2% pay award. The increase in funding via Council Tax equates to £1.8M more than previously planned for and the PCC can now delay some of her savings plans and create a more sustainable budget by taking out the £1.0M reliance on reserves originally planned for. It has also meant the PCC can fund additional police officers enabling the budgeted establishment to increase by **40 officers** in 2018/19.
- 1.9 The increase in 40 police officers means that the Force will be recruiting approximately between 100 & 130 new officers into the Force during 2018/19, to ensure that the Force remains fully up to strength and fills the additional forty posts during the year. The Additional forty posts will be allocated to the following areas of the Force:
 - Community Hubs – a further **9** officers in addition to the 10 agreed as part of the 2017/18 budget, furthering the ambition to enhance community policing in Bedfordshire;
 - Cyber – a further **7** officers into the dedicated cyber hub to combat the ever increasing demand of technology based criminality;
 - Emerald – a further permanent **10** officers following the temporary investment made from reserves in 2017/18 to manage the increasing demand from Domestic Abuse and Serious Sexual Offences;

- Vulnerability – In the strive to protect people from those crimes that have the most impact on individuals lives and increase of **14** officers into the Child and Vulnerable Adult Abuse unit (10) and the Public Protection Hub (4)

2. Purpose of report

- 2.1 To recommend a revenue budget and precept for 2018/19, subject to any alterations required from the 2018/19 final settlement, tax base and collection fund surplus.

3. Background/Supporting papers/Implications

- 2018/19 to 2021/22 Medium Term Plan – PCC Exec Board (Nov 2017)
- 2017/18 Revenue Budget Monitoring Report – PCC Exec Board (Oct 2017)
- 2017/18 Provisional Budget Briefing Paper – PCC & CC (Jan 2018)

4. Contribution to the Police and Crime Plan

- 4.1 The recommendations arising from this report and the subsequent report from the Police and Crime Panel will determine the budget available to deliver substantial elements of the Commissioner's Police & Crime Plan for Bedfordshire.

5. Recommendations

- 5.1 Subject to any variations as a result of the final police grant settlement figures and changes to the council tax base and collection fund surplus;
- I. The net revenue budget (budget requirement) is set at **£105.226M**, which includes increasing the police establishment by 40 officers in 2018/19.
 - II. The proposed savings plan at Appendix A is implemented
 - III. The band D council tax is set at **£178.09**
 - IV. The Reserves Policy at Appendix D is approved
 - V. This report is presented to the Police & Crime Panel on 6 February 2018 as an appendix to an accompanying report requesting that the Panel review and report back to the Commissioner on the proposed precept.

6. Appendices or enclosures

Appendix A – Proposed Savings Plan

Appendix B – Committed Growth

Appendix C – Estimated Reserve Position as at 31 March 2018 and projected movements.

Appendix D – Reserves Policy

7. Introduction

- 7.1 This is the formal budget report to initially be considered by this Board and subsequently reviewed by the Police and Crime Panel on 6 February 2018. It contains the appropriate information to determine the budget requirement for 2018/19 along with the Band D equivalent Council Tax and Precept, subject to potential changes outlined at paragraph 7.2 below.
- 7.2 At the date of this report the provisional finance settlement has been received for 2018/19 as well as the data from the three Unitary Authorities with regards to tax base and collection fund information. This data is due to be confirmed shortly and is not expected to change before the meeting of the Police and Crime Panel on 6 February 2018.
- 7.3 Based upon the following assumptions and expectations it is projected that the Commissioner will face a funding gap over the medium term (i.e. 2018/19 to 2021/22) of some £9.8M:
- Central Grant at a standstill position;
 - The provisional settlement as announced 19 Dec 2017
 - Inflation and Pay Awards totalling an estimated £8.1M
 - Growth including additional officers totalling £10.9M
 - The PCC will increase Council Tax by the maximum allowed without invoking a referendum (£9.2M)
- 7.4 To offset this funding gap the Commissioner and Chief Constable have created and will continue to develop a savings plan for the Medium Term that includes:
- Savings that arise from further budget challenges;
 - Savings that are generated through new collaborative ventures in organisational and operational support services.
 - Savings achieved through further efficiencies in areas that are already collaborated with our alliance and regional partners.
 - Potential collaboration with other blue light services
 - Potential internal reviews
- 7.5 These savings plans, whilst sufficient at this stage to provide balanced budgets through to 2021/22 need to be developed further, especially in the latter part of the medium term plan in order to remove the reliance on reserves in 2020/21 and reduce this reliance in future years.
- 7.6 The Commissioner has managed to build a level of reserves, both general and earmarked, that can be used to fund any exceptional costs, one-off costs associated with change programmes or capital investment and to smooth any budgetary pressures over the medium term. However some replenishment of these reserves will need to be considered over the medium term.

8. General Considerations

- 8.1 This will be the second budget set by Police and Crime Commissioner Kathryn Holloway who was elected in 2016. In preparing the 2018/19 budget a number of factors have been taken into account and these are highlighted in the following paragraphs.
- 8.2 The Commissioner published her Police and Crime Plan for Bedfordshire in May 2016 which represents the strategic direction she wishes the Force to follow over the four years of her term of office. The plan was shaped around the communities of Bedfordshire and can be found on the website of the Police & Crime Commissioner.
- 8.3 In considering the 2018/19 budget the Commissioner has ensured that the budget she is setting utilises the maximum amount of funding she can generate and that this is used efficiently to provide the Force the greatest opportunity to deliver her plan. Some of the key areas are highlighted below:
- 8.4 The additional funding provided via the increase in council tax has allowed the Commissioner to increase the establishment by 40 officers in 2018/19 with expectations that this can be increased by a further 60 to reach an additional 100 over the medium term, which will reflect approximately a 10% increase in budgeted officer numbers. The distribution of the additional officers in 2018/19 has been based on a demand assessment that highlights the most critical areas across the Force that require additional resources to deliver against the Police & Crime Plan.

Police & Crime Plan Priority 1 – A return of more visible Community Policing across the County.

- Building upon the increase of 10 officers announced in the 2017/18 budget the Commissioner is now able to boost this figure by a further **9** to be introduced during 2018/19. The Commissioner has significantly increased the community presence since her arrival proving us with greater visibility and problem solving capacity and to deal with the ever increasing demand around hate crime.

Police & Crime Plan Priority 3 – To ensure the Police are available when we need them the most.

- By protecting the Force budget and further boosting the police officer numbers at the frontline the Commissioner has provided the capability and capacity to continue to protect the public and respond effectively to emergency calls for assistance.
- To ensure the Force has the capability to deal with crimes that centre around the use of modern technology the Commissioner is increasing the Cyber Crime capacity by a further **7** officers. Cyber Crime is defined as a crime in which digital technology is used as a means or target of criminal activity. The growth of the internet has transformed the opportunities for criminals in this area and crimes are carried out on an industrial scale. Investment in this area of policing is the only way we are able to keep pace with the growth in this area.

- Athena – In addition to the increase in establishment of 40 officers announced this year the Commissioner has also made a sizeable investment in the Force Control room and Crime Bureau including an increase in supervision capability. This is partly as a result of increased demand and partly the introduction of Athena which will see the introduction of a common IT platform that will allow Forces to manage intelligence, investigation, custody details, case preparation and warrants all from the same system.

Police & Crime Plan Priority 4 – Putting victims at the centre of the way we police and prosecute.

- New Crime Challenges – demand has significantly grown in areas of domestic abuse. During 2017/18 the Commissioner used some underspends generated in the previous year to boost the Emerald team on a temporary basis. This is the Force's unit dedicated to investigating domestic crimes and serious sexual offences. While this increase in capacity has had positive results the demand placed on the unit continues to rise and as a result the Commissioner has decided to make this investment permanent by putting an additional **10** officers into this unit.
- Another area that has seen a significant rise in demand is the Public Protection Unit. Amongst other things this unit tackles child and vulnerable adult abuse. They have the aim to protect the lives of those who are most vulnerable and ensure that the policing of child abuse and the welfare of children is paramount. The investment in this area of an additional **10** officers will increase the ability to take effective action against offenders so they can be held accountable through the criminal justice system while safeguarding the welfare of the child or vulnerable adult. An additional **4** officers will also be placed in the Public Protection Hub.

Police & Crime Plan Priority 5 – A fair deal on policing wherever you live – in the town or county.

- By protecting and uplifting police officer numbers and supporting the development and retention of a rural crime team the Commissioner has sought to provide the Force with an enhanced capability to provide effective policing in all areas of our county.

Police & Crime Plan Priority 8 – Working with Partners to break the cycle of serial offending and to prevent crime wherever possible.

- This budget provides the capacity for the Force and OPCC to maintain and advance its already well-established collaborative working programmes with public and third sector partners. In addition to the shared financial commitments associated with the multi-agency safeguarding hubs, integrated offender management multi-agency priority anti-social behaviour work, co-location and joint working across blue light services in the Fire & Rescue services and via the Mental Health Street triage team, this year will see the development of a new Victims Hub, signposting victims of crime to services via third sector service providers. Other multi-agency commitments for the forthcoming year include: the establishment of a new Sexual Assault Referral Centre and the introduction of social work professionals to work within the Emerald team.

8.5 In line with the legal obligations of her office under the Police & Crime Act 2013 the PCC has now sought the comment and opinion of the people of Bedfordshire via a public consultation process in relation to her proposal to increase the council tax precept. The proposal will mean an increase beyond the level of inflation to the maximum provided for by the Policing & Fire Minister during the December 2017 settlement announcement (up to £12 per annum per band D property, approximated at 7.22% for the Policing element for Bedfordshire).

9. Draft Budget 2018/19

9.1 The draft budget of **£107.537M** finalised in early January was summarised as;

		£'000
Draft Budget (November 2017 prices);		
	Force	105,023
	PCC	883
	Community Safety Fund	839
	Contingency	792
Draft Budget		107,537

9.2 There is a need to make an allowance, by way of a contingency provision for pay/price increases that will arise between November 2017 and March 2019. This has been set at **£0.792M** which is solely made up of the anticipated pay award for officers and staff in September 2018. No non-pay contingency has been included in the budget for 2018/19.

9.3 By far the largest investment included in the draft budget is growth that the Force is placing into the control room and intelligence functions as a result of increased traffic in these areas and in preparation for the introduction of Athena. Other growth includes commitments already made such as the full year effect of increasing the officer establishment by 10 in last year's budget, an increase to the contribution rate for the staff pension scheme and our share of some support functions that have been collaborated along with some posts that have been funded from underspends in previous years but now require formalising. Finally, an allowance is given to account for the increasing cost of officers that will climb the pay scale as increments are awarded within ranks dependent upon length of service. However, this growth will be offset by the reducing cost of police pay as new recruits join on updated terms and conditions.

9.4 In order for the PCC to increase the officer establishment by 100 over the next four years she will have to increase Council Tax by the maximum allowed. While this decision is still to be made (pending Police & Crime Panel endorsement) the cost of an additional 40 officers to be recruited in 2018/19 has been included in these growth figures.

9.5 The total growth built into the draft budget equates to **£3.495M** in 2018/19 and generates a commitment of a further £2.821 growth in 2019/20. This accounts for the full year effect of the growth added in 2018/19, the full list of which is detailed at Appendix A of this report.

10. Financial Settlement – 2018/19 for Bedfordshire

10.1 This report has been based upon the provisional funding settlement for the Police announced on 19 December 2017 and these figures are expected to be confirmed on 31 January 2018. Therefore there is the potential for changes to the table below prior to the report being submitted to the Police and Crime Panel. The table compares the central element of the Commissioners funding between 2017/18 and 2018/19. This shows that central funding has remained at 2017/18 levels.

2017/18		2018/19	Change
£'M		£'M	%
62.8	Police Grant	62.8	0
4.6	Legacy Council Tax Grants	4.6	0
67.4		67.4	

10.2 The settlement for Police Grant was higher than anticipated when compared to our assumptions leading up to the announcement as we had expected a 1.4% reduction in the Police Grant. The “no change” announcement improves our position by £879K when compared to our medium term plan assumptions. However it is expected that pay awards will now also increase and therefore this improvement in grant assumptions will be offset by an increase cost in pay awards. The Commissioner is able to recommend a balanced budget in these final proposals presented to the PCC Executive Board on 25 January. The highlights of the settlement are as follows;

- Policing Grant to stay at the same levels as 2017/18.
- Legacy Council Tax grants remained unchanged.
- Precept flexibility of up to £12 for all PCCs in 2018/19.
- Top slices taken from the Policing Grant to fund Police Technology Programmes, Police Transformation Fund, Special Grant and arms-length bodies such as the HMICFRS and the College of Policing increased from £812M to £945M.
- Police Capital Grants to remain unchanged
- An intention to maintain a broadly flat settlement with the same precept flexibility in 2019/20 dependent upon progress against a number of efficiency milestones to be agreed in the new year.

10.3 The flexibility afforded to PCCs regarding the levels at which council tax can be set gives the PCC the ability to make slight amendments to savings plans and growth assumptions that have been reviewed prior to this meeting.

11. Council Tax

11.1 Planning assumptions were built upon an expectation that, in line with recent years a 2% referendum principle would apply to most Commissioners, meaning that a positive local referendum result for a council tax increase at or above 2% would be required. However, the recent settlement announcement gave the PCC the ability to increase council tax by £12 for a band D property which is equivalent to a 7.22% increase.

- 11.2 This element of the announcement has the potential to increase the PCC's funding ability by £1.8M per annum when compared to our pre-settlement announcement assumptions and when added to the standstill Police Grant the additional funding equates to £2.7M. Of this, £0.8M has been ring-fenced to cover the expected 2% pay award in Sept 2018 and should the decision be taken to increase council tax by the maximum allowed there will be no need to use the £1M of budget reserve we expected to use in 2018/19. The delay in utilising this reserve will also enable the PCC to increase officer numbers over the next four years.
- 11.3 The Commissioners has a desire to protect and enhance the Force's frontline capability as well as increasing the number of specials and volunteers. The expectation before the settlement was that the Commissioner would increase Council Tax by 1.99% this would increase the Band D Council Tax for Bedfordshire Police from £166.09 to £169.39. However, now she has the ability to increase it by up to £12 per annum. This would see the contribution from a Band D Council Tax household for the Bedfordshire Police element of the Council Tax bill move from £166.09 to **£178.09**. The Commissioner will decide at what level to set the Council Tax and in doing so consider the potential to increase officer numbers, delay the use of the budget reserve and strengthen the medium term financial planning for the Force. Various options have been considered leading up to this report but the desire of the PCC to increase police officer numbers, combined with no change in the policing grant has meant the only way to achieve this is to apply the maximum council tax increase possible without triggering a referendum.
- 11.4 The total amount raised via Council Tax by the Police is also influenced by the number of tax payers within the County, this figure is set by the Local Authorities in January each year. We are expecting a rise of 2.09% and any variations from this figure will either mean a drop or increase in the total funding available. In addition, any change in the anticipated Council Tax surplus will have a similar effect.
- 11.5 At the time of writing there are no anticipated changes to the figures presented to the Chief Constable & the Police & Crime Commissioner in early January prior to the finalising the proposals contained within this report.

Draft Budget	Funding Stream	Final Budget	Change
£'000		£'000	£'000
62,772	Police Grant	62,772	-
4,637	Legacy CT Grants	4,637	-
37,209	Tax Base	37,209	-
573	Collection Fund	608	35
105,191	Total	105,226	35

- 11.6 The funding available to the Police & Crime Commissioner is now **£105.226M** as shown in the table above.

12. Budget Reductions 2018/19

- 12.1 The planned budget reductions are shown at Appendix B, totalling **£2.346M**, these are derived through a series of change initiative and income generation measures that the Force and Commissioner have planned over the past year.

- 12.2 The total savings anticipated through collaboration is £0.362M in 2018/19. Joint Protective Services (JPS) are in the second year of a three year transformation plan known as JPS 2020. A separate team has been set up within JPS specifically designed to examine the value, effectiveness and efficiency of all the services they currently deliver. The review will establish an accurate picture of the capability and capacity across JPS and will seek to recommend options for change, improvement and cost reduction. The savings delivered by them in 2018/19 revolve around the disassembly of the dedicated ANPR Intercept team, this work will now be delivered by the Roads Policing Unit. The savings for JPS are offset to a certain degree by a reduction to the temporary vacancy factor applied last year to deliver savings and reflect the number of vacancies held within JPS.
- 12.3 While growth has been built into the police pay budget because of incremental drift we also anticipate that with intakes of new recruits planned during the year the average pay for officers will drop. Some income generation opportunities have arisen that have been built into our savings plan and the Force is making a reduction to the Force tasking budget that is used to fund one-off initiatives.
- 12.4 Further savings have come from the final piece of the Force Quality Improvement model introduced two years ago, these relate to supervisory posts that can now be removed from the model. Other budget challenge work forms the remainder of the savings plan including the civilianisation of three police posts within the cybercrime unit.

13. Budget Variations

- 13.1 There have been only minor changes to the draft budget presented to the Chief Constable and the Police & Crime commissioner via a briefing paper in early January shortly after the provisional settlement. These are shown in the table below and primarily relate to an over-statement of the contingency figure required for the expected 2018 pay award, the previous figure included inflation covering the 2017 pay award.

	Draft	Changes	Proposed Budget
	£'000	£'000	£'000
Force	103,966	1,092	105,058
PCC	883		883
Community Safety Fund	849	(10)	839
Contingency	1,839	(1,047)	792
Contribution to Reserves	0		0
	107,537	35	107,572
Proposed Savings	(2,346)	0	(2,346)
Funding Available	105,191	35	105,226

- 13.2 The budget reductions shown at Appendix B and detailed in section 12 reduces the budget by £2.346M giving a net revenue budget of **£105.226M** with no planned contribution to reserves.

- 13.3 Overall officer and staffing levels increase by 127 as a result of the changes in this proposed budget and these are shown in the table below;

	2017/18	Savings	Growth	2018/19
Police Officers				
Force	861	(5)	50	906
Collaboration	200	(5)		195
ERSOU	63			63
Police Officer Total	1,124	(10)	50	1,164
Police Staff				
Force	486	2	85	573
Collaboration	291			291
ERSOU	197			197
Police Staff Total	974	2	85	1,061
PCSO's	53			53
Grand Total	2,151	(8)	135	2,278

- 13.4 The officer numbers quoted are based on the current policing model, our share of collaborated units and some externally funded posts. We have also separated out those staff employed by Bedfordshire Police on behalf of the Eastern Region Special Operations unit made up of both the Counter Terrorism and Regional Organised Crime units, officers seconded into these areas have been excluded. These figures are our best estimate at the time of setting the budget and reflect our budgeted establishment. While actual strength will vary during the year the estimated budgeted establishment is expected to remain constant. The estimated figures quoted in last year's budget report for 2017/18 have been restated for comparison purposes.
- 13.5 These workings are based on the provisional settlement and assumptions concerning grant income and apportionment rates for collaborated units. Therefore changes are possible as a result of confirmation of the final grant announcement, agreed external funding and the net revenue budget of our strategic alliance partners.

14. Forecast Revenue Outturn for 2017/18

- 14.1 The latest estimate of spend against budget for 2017/18 is a breakeven position so there will be no underspend to distribute at year end. It is likely however that not all of the planned use of the Performance and Change reserve will be utilised meaning the year-end balance may be slightly higher than previously estimated. The 2018/19 budget is being built on the basis that some temporary posts or project work will be funded from the Performance and Change reserve so any additional balance will mean the use of this reserve could be enhanced, or the reserve will have a slightly longer lifespan.
- 14.2 The year end position will continue to be monitored and if during the remainder of the year it remains the same or increases the use of reserves will be reviewed to determine how they will be used and whether any transfer between reserves is appropriate. In doing so the following points will be taken into account;
- The need to build up the capital financing reserve as a result of a reduction of £0.324M in 2017/18 to the annual capital grant awarded to Bedfordshire PCC
 - The borrowing requirements of the PCC
 - The investment required for collaboration
 - The future reliance on the budget reserve built into the medium term financial plan.
 - The wish to fund expenditure originally planned from reserves from revenue

underspends.

- The wish to ring-fence underspends from the Camera, Tickets & Collisions unit for road safety initiatives currently estimated at £350K for Bedfordshire.
- The ability to fund one-off, non-recurring expenditure from year-end underspends.

15. Medium Term Financial Strategy: Budget Reductions 2018/19 to 2021/22

15.1 Based on the draft financial settlement the estimated medium term plan position is shown in the table below. This is an improved position compared to the presentation made to the PCC Executive Board at its November meeting. The reason for this that the estimated funding position has improved greatly compared to our assumptions and the use of budget reserve has diminished. The Final Settlement is expected to be announced on 31 January 2018 and the medium term plan will be reviewed once that is confirmed and the 2018/19 budget is agreed.

	2018/19 Indicative	2019/20 Estimated	2020/21 Estimated	2021/22 Estimated
	£'000	£'000	£'000	£'000
Estimated draft budget (a)	107,572	110,042	112,700	114,200
Estimated funding (b)	105,226	108,170	109,801	111,498
Shortfall (a-b)	2,346	1,872	2,899	2,702
Funded by:				
Savings	2,346	1,746	2,048	1,425
Use of Budget Reserve	0	126	851	1,277

15.2 Bedfordshire, Hertfordshire and Cambridgeshire have continued to strive to develop collaborative approaches in the broad areas of:

- Protective Services;
- Operational Support Services;
- Organisational Support Services.

15.3 The potential savings in 2018/19 have been explained in section 12 and further savings are anticipated from collaboration in future years including the final year of the JPS 2020 project. We will also continue to look for budget efficiencies and anticipate a continuation of the reduction in police pay average.

15.4 The organisational and operational collaboration programme has not delivered the level of savings it was originally hoped in the planned timescale which does bring into question the aspirational savings included in the 2020/21 onwards savings plans. These also require further development and while the use of budget reserve is not excessive in 2019/20 our assumption is that this will increase in future years meaning that an increased level of savings should be strived for from 2020/21 in order to avoid relying on this reserve to balance the budget.

16. Reserves

- 16.1 It has previously been acknowledged that the use of reserves to fill long term funding gaps is not a sustainable approach to balancing budgets, but can be used to smooth the reductions over a longer period or to provide a buffer in a particular financial year. With that in mind a specific budget reserve has been created to soften the effects of austerity we are currently experiencing. The usage of this reserve will now be considered having received the settlement information.
- 16.2 The Commissioner must hold a minimum level of general reserves, although neither the Audit Commission nor CIPFA feel it appropriate to stipulate what a minimum level should be, and therefore it is for the Chief Finance Officer to give advice. Based on previous advice that the level of general reserves should reflect the level of anticipated risk for exceptional expenditure arising from exceptional circumstances (i.e. the likelihood of a Soham type incident, terrorist type activity, disturbances etc.) that cannot be funded from within the Commissioners and Force's agreed revenue budgets and capital programme, the Commissioner has been advised to hold a general reserve of at least £3M of the net revenue budget and has followed that advice.
- 16.3 Based on an increase in Council Tax of £12 in 2018/19 aligned with the aspiration of increasing officer numbers by 100 over the next four years a projection of reserve balances has been produced at Appendix C. An updated reserves policy is attached at Appendix D, this explains how each reserve will be used. Any decision regarding the use of reserves will be made by the PCC after taking advice from her Chief Financial Officer which at this stage is that any year end underspends achieved over the medium term should be used to rebuild the earmarked reserves while the general reserve can remain constant at £3M. This is based on the opinion that current projections show the earmarked reserves may not provide a sufficient buffer for specific expenditure in the medium term to assist with one-off funding requirements that are likely in the ever changing climate of policing.
- 16.4 The performance & Change Reserve has always been used by the Force to support the delivery of savings required over the medium term as well as funding one-off costs that will assist the Force in managing demand and improving performance. The budget has been set on the basis that we anticipate we will use an estimated **£1.5M** from this reserve funding temporary resources such as project teams, data migration for the new Athena product, expected additional flying hours of the national police air service and for some additional officers and staff working in areas that will see a peak in demand during 2018/19.

17. Robustness of Estimates

- 17.1 Under Section 25 of the Local Government Act 2003 the Chief Financial Officer of the Police and Crime Commissioner is required to report on the robustness of the estimates included in the proposals above.
- 17.2 The estimates included within this report have been compiled by qualified financial staff in consultation with budget managers, the Force Executive, the Continuous Improvement Team and have been overseen by the Chief Finance Officer.
- 17.3 The work on the 2018/19 budget began in September 2017 and has been informed by settlement and grant announcements detailed earlier in this report. The Force have had input and have been regularly briefed and updated on the budget preparation and medium term plan as the Police & Crime Commissioner has developed this via her regular one to one meetings with the Chief Finance officer and more formally via reports

to the Police & Crime Commissioner’s Strategic Board. The Joint Audit Committee has received internal audit reports on numerous aspects of financial management which have provided the Police & Crime Commissioner with assurances that the necessary controls are in place. The findings of the external auditors also support the assurances provided by the internal auditors.

18. Referendum Principles

18.1 Under the provisions of the Localism Act 2011 the Secretary of State defines a set of principles to determine if the level of Council Tax raised by a Police and Crime Commissioner (PCC) is deemed to be excessive, based on these principles the level of Council Tax presented within this report is not considered excessive by the Secretary of State.

18.2 Any PCC proposing an excessive increase in council tax must hold a local referendum and obtain a “yes” vote before implementing the increase. They must also make substitute calculations, based on a non-excessive council tax level. This will take effect if the excessive increase is rejected in the referendum. The current proposals do not invoke referendum principles.

19. Tax Base, Precept and Council Tax

19.1 The Council Tax is primarily a tax on the relative market value of property in an area based on eight valuation bands (A to H). The Council Tax base is defined in terms of the number of Band D equivalents (the “average” Band). The Unitary Councils have confirmed the final number of Band D equivalents for 2017/18 and the budget report is based on the following numbers :

Unitary Council	Band D Equivalents
Bedford Borough	58,521
Luton Borough	50,461
Central Bedfordshire	99,951
	208,933

19.2 This represents an increase in the tax base of 4,280 band D equivalent homes (2.1%) compared to the previous year. We had estimated a 2.0% increase and this continues the recent trend we have seen within Bedfordshire reflecting the on-going increase in new homes across the County, the reduction in exempt properties and the reduction in single occupancy discounts.

19.3 The arrangements for financing the Police Service provide for the Commissioner to receive specific police grant and formula funding via the Home office along with legacy council tax grants. The amounts are fixed and do not vary with expenditure. The following table shows the level of the Precept based on a budget requirement of **£105.226M** and a Council Tax increase of £12. The apportionment to each of the Unitary Councils is also shown.

	£'M
Budget Requirement	105.226
Police Grant	(62.772)
Legacy Council Tax Grants	(4.637)
	37.817
Surplus on the 2016/17 Council Tax collection fund	(0.608)
Precept	37.209
Apportionment between Unitary Councils	
Bedford Borough	10.422
Luton Borough	8.987
Central Bedfordshire	17.800
Precept	37.209

19.4 Using the tax base data supplied by the Unitary Councils, a budget requirement of **£105.226M** would result in an average Council Tax at band D of **£178.09**. This compares to a Council Tax at band D of £166.09 in 2017/18, as rise of £12 per annum (£1.00 per month/23 p per week) or 7.22%, the maximum allowed without invoking a referendum.

19.5 The following table shows the Council Tax for all bands based on a budget requirement of **£105.226M**.

Valuation Band	Tax payable compared to band D (expressed in fractions)	Council tax for Band £
A	6/9	118.73
B	7/9	138.51
C	8/9	158.30
D	1	178.09
E	1 & 2/9	217.67
F	1 & 4/9	257.24
G	1 & 6/9	296.82
H	2	356.18