



BOARD REPORT

PCC Strategic Board – 28 January 2019

Report Title:	Revenue Budget 2019/20
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Report for:	PCC
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1. Executive Summary

- 1.1 The 2019/20 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 Prior to the settlement announcement the PCC was successful in securing a special police grant for Bedfordshire equating to £4.571M. The detailed business case was submitted following campaigning by the PCC supported by the Chief Constable arguing that the nature of gang, gun & knife issues faced by Bedfordshire represents an extraordinary challenge for a Force of our size. While this is a one off payment it has transformed our finances in the short term as we had expected to overspend in 2018/19. The grant has also assisted in the longer term financial position, which alongside the increase in funding

through council tax increases will mean that the Force can recruit 160 police officers in 2019/20 and a further 120 in each of the financial years 2020/21 and 2021/22.

- 1.4 The Police Grant for 2019/20 and the council tax increase restrictions were announced on 13 December. As a result of some intrusive engagement by the Commissioner with the Policing Minister and with support from local MPs, the total increase in funding between 2018/19 and 2019/20 is an additional £8M if the maximum Council Tax increase of £24 is taken. The Police grant element equated to £64.1M, an increase of £1.3M compared to the previous year. We also received an additional pension's grant of £1.1M. This element of the £8M i.e. **£2.4M** is therefore purely provided to offset the majority of the increased police pension pressure of £2.5M, leaving us with a net pressure of £0.1M. The remaining £5.5M is achieved through the PCC increasing council tax by up to £24 per annum per band D property, instead of the expected £12. This has allowed the PCC to make material changes to her original plans.
- 1.5 Clearly, to achieve an additional £5.5M, recognising that the PCC has continued to express that the Force is underfunded, to the sum of £10M and approximately 300 officers and 80 detectives, is a significant achievement for the PCC, however it does mean that inflationary pressures such as pay awards, as an example, are being funded from an increase in Council Tax whereas the Commissioner would prefer to be able to utilise all of these funds to further increase officer numbers within the Force.
- 1.6 The Commissioner has to continue to make savings alongside the increase in funding and also requires the Force to review the level of service it can afford to provide to the public and this is being achieved through a significant exercise, known as Priority Based Budgeting (PBB). However, with the additional increase in Council Tax of £24 the PCC will be ensuring that the Force recruits 160 officers in 2019/20 and a further 120 in each of the following two financial years.
- 1.7 In line with the Policing Ministers settlement announcements the 2019/20 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 £12, the figure for 2019/20 was announced as £24, this is the equivalent to a 13.5% increase of the Police element for Bedfordshire in 2019/20.
- 1.8 Following the settlement announcement and the tax base information from the Bedfordshire Unitary Authorities the proposed budget equates to **£113.421M** after the proposed savings are taken in account. Based on the agreed council tax increase of £24 (13.5%) the funding available to the Force is **£113.421M** resulting in a balanced proposed 2019/20 budget allowing the Force to recruit the 160 officers required by the Commissioner.
- 1.9 The recruitment of 160 officers will allow the Force to fully replace all of those police officers that leave in the next financial year as well as also increasing by a further 60 police officers and enhance the frontline through dedicated police staff roles for victim engagement and digital forensics, as this area of criminality continues to grow. The significant investment, the largest for the Force for over a decade means that it can build its proactive and problem solving capability, specifically through greater Neighbourhood presence, providing the

Force with a greater ability to reduce the level of demand it needs to respond to and investigate. The key areas for investment therefore are:

- Neighbourhood & Community Policing – Plays an essential part in the prevention of crime, reducing repeat victimisation and re-offending, conducting high quality professional investigations, delivering safer and stronger communities and keeping our communities safe;
- Cyber Crime – Is a type of crime in which digital technology is used as a means and or a target for criminal activity, additional resources are required into the dedicated cyber hub to combat the ever increasing demand of technology based criminality;
- Boson – further permanent officers are being invested in to expand the Boson capability into the north of the County to proactively manage the increasing demand from gangs & guns.
- Child and Vulnerable Adult Abuse Unit – Has the responsibility for the investigation and protection of vulnerable people & children, working alongside partners and multi-agencies to prevent and reduce the abuse and neglect of children and vulnerable adults.

2. Purpose of report

- 2.1 To recommend a revenue budget and precept for 2019/20, subject to any alterations required from the 2019/20 final settlement, tax base and collection fund surplus.

3. Background/Supporting papers/Implications

- Priority based Budgeting – PCC Exec Board (June 2018)
- 2019/20 to 2022/23 Medium Term Plan – PCC Exec Board (Aug 2018)
- 2018/19 Revenue Budget Monitoring Report – PCC Exec Board (Oct 2018)
- 2019/20 Provisional Budget Briefing Paper – PCC Exec Board (Jan 2019)

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 **£113.421M**, providing the Force with the finances to recruit 160 officers in 2019/20
 - II. The proposed savings plan at Appendix A is implemented
 - III. The band D council tax is set at **£202.09**
 - IV. This report is presented to the Police & Crime Panel on 5 February 2019 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 2019 and projected movements.

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 5 February 2019. It contains the appropriate information to determine the budget requirement for 2019/20 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 2019/20 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 5 February 2019.
- 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. 2019/20 to 2022/23) of some £13.8M:
- Central Grant will remain at a standstill position;
 - The Police Pension Grant of £1.1M will remain
 - The increased provisional settlement of £1.3M as announced 13 Dec 2018
 - Inflation and Pay Awards totalling an estimated £8.7M
 - Growth including additional officers totalling £18.4M
 - The PCC will increase Council Tax by the maximum allowed without invoking a referendum (£10.9M)
 - Council Tax increases will be capped at 2% from 2020/21
- 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 the PBB process
- 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 may need to be developed further, especially in the latter part of the medium term plan, but these should be met through a further round of Priority Based Budgeting activity.

7.6 The Commissioner had 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, these reserves had dropped to an unacceptable level and this budget will allow for some of these costs, such as police officer overtime, which is vital for pre-planned operations and business continuity in order that the Force can be more proactive in its approach in these areas, thus reducing the burden on the Commissioners reserves.

8. General Considerations

8.1 This will be the third budget set by Police and Crime Commissioner Kathryn Holloway who was elected in 2016. In each of these years she has increased the budgeted establishment of officers employed within the Force. While preparing the 2019/20 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 2019/20 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 will allow the Force to recruit 160 officers replacing all of those officers that will leave during the financial year as well as bringing a further 60 officers over and above. It will also allow, over the ensuing two years for the Force to recruit 120 police officers in each of those years.

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

- The increase in Council tax will allow the force to increase the number of dedicated officers to Neighbourhood Policing by a further 24 officers, an approximate 50% increase to the 44 currently dedicated. In addition a pro-active neighbourhood team will be created that will allow specific areas of demand, as and when they arise, to receive an enhanced visible presence.

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 on the use of modern technology the Commissioner is for the second year running increasing the Cyber Crime capacity. 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.

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 guns and gangs. The permanent team known as Boson formally based in Luton is being expanded to cover the whole of the County. This team will work with partners to help prevent young people from getting involved in gang and gun criminality, as well as visiting ex-offenders upon their release from prison to ensure they do not fall back into a life of crime.
- The Force will also be able to recruit dedicated police staff Victim Engagement Officers, within the Emerald team, providing a dedicated resources to those victims that suffer sexual or domestic abuse. A further 5 police officers will be dedicated to investigating child and vulnerable adult abuse.
- **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 continues to provide the capacity for the Force and OPCC to maintain and advance its already well-established collaborative working programmes with public and third sector partners. These include 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. The new Victims Hub, signposting victims of crime to services via third sector service providers has also been established. Other multi-agency commitments cemented into this budget include the Sexual Assault Referral Centre social work professionals 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 2018 settlement announcement (up to £24 per annum per band D property, approximated at 13.5% for the Policing element for Bedfordshire). The results of this consultation will be collated and presented to the Police & Crime Panel on 5 February 2019.

9. Draft Budget 2019/20

9.1 The draft budget of **£113.484M** finalised in early January was summarised as;

		£'000
	Draft Budget (November 2018 prices);	
	Force	109,883
	PCC	912
	Community Safety Fund	839
	Contingency	1,850
	Draft Budget	113,484

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 2018 and March 2020. This has been set at **£1.850M** which is solely made up of the anticipated pay award for officers and staff in September 2019. No non-pay contingency has been included in the budget for 2019/20.

9.3 By far the largest investment included in the draft budget is growth relating to officer numbers and cost of the higher contribution rate for the police pension scheme. Other growth includes commitments already made such as the full year effect of last year's investment into the control room, the unprecedented increase in the cost of motor insurance, an increase to the contribution rate for the staff pension scheme and the Bedfordshire share of those 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 progress through the national pay scales 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 On the basis of the maximum increase in Council Tax, of £24, the PCC will enable the Force to recruit 160 officers which will allow for replacement of all of those police officers that leave the Force as well as enhance these numbers by a further 60, as well as create an additional 17 roles that could be undertaken by police officers but as they do not require dedicated police powers will be made police staff roles.
- 9.5 The total cost of standstill, mandatory and growth pressures built into the draft budget equates to **£9.794M** and the full list is detailed at Appendix A of this report.

10. Financial Settlement – 2019/20 for Bedfordshire

- 10.1 This report has been based upon the provisional funding settlement for the Police announced on 13 December 2018 and these figures are expected to be confirmed on or before 31 January 2019. 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 2018/19 and 2019/20. This shows that central funding has increased by £2.4M (3.6%) compared to 2018/19 levels.

2018/19		2019/20		Change	
£'M		£'M	£'M	%	
62.8	Police Grant	64.1	1.3	2.1	
0.0	Police Pension Grant	1.1	1.1	#	
4.6	Legacy Council Tax Grants	4.6	0.0	0.0	
67.4		69.8	2.4	3.6	

- 10.2 The provisional settlement provided for an increase of **£1.318M** in Police Grant along with the introduction of a new pension Grant of **£1.117M**. These measures are designed to counter the recent increase in contribution rates for police pension scheme that we have estimated add **£2.550M** to the budget for Bedfordshire giving a net pressure of **£0.115M**. At this time it is not known whether the pension grant will be permanent but we have worked on the assumption that it will remain constant through the life of the medium term plan (this being achieved through the continuation of grant or further council tax flexibility). It is anticipated that pay awards of 2% will be granted in September 2019 following a similar increase for officers and staff in 2018. The announcement allows for the Commissioner to increase Council Tax by up to £24 without invoking a referendum. While this is welcome it means that inflationary pressures and pay awards, as an example, are being funded from an increase in Council Tax whereas the Police & Crime Commissioner (PCC) would prefer to be able to use the full increase to further increase officer numbers within the Force. This increased Council Tax flexibility means that the Commissioner has to balance the requirement to make savings along with the desire to increase officer numbers as well as providing funding for areas of the budget that require further investment as highlighted in the PBB process. These decisions have been considered by the Commissioner and Chief Constable culminating in this formal budget paper to the Strategic Board and onwards to the Police and Crime Panel on 5th February 2019. The highlights of the settlement are as follows;

- Policing Grant to increase by £1.318M (2.1%)
- Introduction of Police Pensions Grant of £1.117M
- Legacy Council Tax grants remained unchanged.
- Precept flexibility of up to £24 for all PCCs in 2019/20
- Top slices taken from the Policing Grant to fund Police Technology Programmes, Police Transformation Fund, strengthening the response to organised crime, Special Grant and arms-length bodies such as the HMICFRS and the College of Policing increased from £0.945M to £1.029M.
- Police Capital Grant to increase by £9K (2.1%)
- An acknowledgement that this is the last settlement before the next Spending Review which will look at how the resources are allocated across Police Forces.

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 During our planning assumptions it was expected that in line with last year a £12 referendum principle would apply to most Commissioners, meaning that a positive local referendum result for a council tax increase above £12 would be needed. However, the settlement announcement gave the PCC the ability to increase council tax by **£24** for a band D property which is equivalent to a 13.5% increase for Bedfordshire. This report has already explained that the increase in Police Grant does not cover the increased cost of Police Pensions. This effectively means that the Commissioner is being asked to fund inflationary pressures such as pay awards from the Council Tax and the percentage of budget funded by Council Tax continues to rise.

11.2 The Commissioner 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 £12 this would increase the Band D Council Tax for Bedfordshire Police from £178.09 to £190.09. However, now she has the ability to increase it by up to £24 per annum, this would see the Band D Council Tax for Bedfordshire Police move from £178.09 to **£202.09**. The Commissioner must 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 with associated financial modelling scenarios but the Commissioner has decided that the maximum council tax increase will be applied and the remainder of the report reflects that proposal.

11.3 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. Our financial modelling was based on an increase of 2.00% but the final figure confirmed by the Local Authorities was 1.96% reducing our funding by £15,000. Similarly we have experienced a drop of £48,000 in the anticipated Council Tax surplus which has also reduced the funding available.

11.4 At the time of writing the only changes to the figures presented to the Chief Constable & the Police & Crime Commissioner in early January are the small reductions in the tax base and collection fund surplus shown in the table below.

Draft Budget	Funding Stream	Final Budget	Change
£'000		£'000	£'000
64,090	Police Grant	64,090	-
1,116	Pension Grant	1,116	-
4,637	Legacy CT Grants	4,637	-
43,068	Tax Base	43,053	-15
573	Collection Fund	525	-48
113,484	Total	113,421	-63

11.5 The funding available to the Police & Crime Commissioner is **£113.421M** as shown in the table above.

12. Budget Reductions 2019/20

12.1 The planned budget reductions are shown at Appendix B, totalling **£3.533M**, these are derived through a series of change initiatives and the ongoing priority based budgeting process the Force is currently engaged in.

12.2 These savings are presented as potential savings as while the PBB process has been completed the Chief Constable and the Commissioner need some time to review and finalise these savings. While it is possible there may be some subtle changes before the budget is finalised it is not expected they will be significant.

12.3 Since the draft budget was prepared the expected savings anticipated through collaboration is thought to be no longer achievable. Joint Protective Services (JPS) has been delivering savings through collaboration for a number of years and following a meeting of the joint chief officer's board it was agreed that in the interest of service delivery no further savings should be taken from JPS at this time.

12.4 While growth has been built into the police pay budget because of incremental drift we also anticipate that with a number of intakes of new recruits planned the new financial year that the average pay for officers will drop. Over a number of years the level of income received by the Camera Ticket & Collisions team have been substantially higher than Bedfordshire has ever budgeted for, we are increasing the income budget in this area to reflect the likely level received.

12.5 The PBB process has seen 20 areas throughout the Force reviewing the services they provide and considering ways in which they can work more efficiently in order to save money. The final stage of this work has seen the Executive Team deciding the level of service each area will provide, for some this will mean a reduction and for other areas an increase. While the final savings that can be released via PBB in time for the 2019/20 budget is still being finalised this is shown as a total of £2.830M in Appendix B.

12.6 We are still working through the implementation costs of making these changes but hope to absorb these costs within the 2019/20 budget. If, during the year this proves not be possible will be bring forward some of the savings delayed from 2019/20.

13. Budget Variations

13.1 There have been a few 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.

13.2 The largest of these relates to the requirement to remove £590K of expenditure out of the ICT capital budget and place this into the revenue budget. As we move away from storage of data on local servers into storage via “the cloud” our expenditure profile moves away from purchasing physical assets towards entering into licence agreements. This means that we have to account for this spend via the revenue budget as opposed to the capital budget. This is not a unique position to Bedfordshire Police and simply reflects a national trend. We will see a compensatory drop in the capital programme for ICT. There has also been a far smaller increase to the savings figure as it has been increased by a further £63K to offset the reduced funding mentioned earlier in the report.

	Draft	Changes	Proposed Budget
	£'000	£'000	£'000
Force	112,763	590	113,353
PCC	912		912
Community Safety Fund	839		839
Contingency	1,850		1,850
	116,364		116,954
Proposed Savings	-2,880	-653	-3,533
Funding Available	113,484	-63	113,421

13.3 The budget reductions shown at Appendix B and detailed in section 12 reduces the budget by £3.533M giving a net revenue budget of **£113.421M** with no planned contribution to reserves.

13.4 At the time of writing it is anticipated that overall officer and staffing levels increase by **23** as a result of the changes in this proposed budget and these are shown in the table below;

	2018/19	Savings	Growth	2019/20
Police Officers				
Force	906	(13)	73	966
Collaboration	195			195
ERSOU	63			63
Police Officer Total	1,164	(13)	73	1,224
Police Staff				
Force	573	*(46)	9	536
Collaboration	291			291
ERSOU	197			197
Police Staff Total	1,061	(46)	9	1,024
PCSO's	53			53
Grand Total	2,278	(59)	82	2,301

*This figure is net after accounting for 10 front line staff roles, paragraph 9.4 refers

13.5 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. These figures are subject to verification once all decisions have been made in relation to the PBB process.

13.6 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 2018/19

14.1 Prior to the announcement of the Special Grant claim the Force was predicting an overspend at the end of 2018/19. However, following campaigning by the PCC and the submission of a successful bid to the Home Office the Force has been awarded **£4.571M special grant** in recognition of the Force’s response to gang, gun and knife crime over the past three years. This will move the Force to an **estimated underspend of circa £1.1M** at year end and also create some longer term financial benefits with regards to aforementioned increases in police officer numbers over the next 3 years.

14.2 The year end position will continue to be monitored and if during the remainder of the year the underspend remains the same or increases the way it is used will be reviewed. 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 in the capital grant received and internal borrowing carried out in 2017/18.
- 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 ability to fund one-off, non-recurring expenditure from year-end underspends.

15.0 Medium Term Financial Strategy: Budget Reductions 2019/20 to 2022/23

15.1 Based on the draft financial settlement the estimated medium term plan position is shown in the table below. This reflects the changes since the draft budget and shows the knock on effect of transferring the funding of licenced products from the capital programme to the revenue budget and reduced funding of £63K offset by an increase in the savings target. This also reflects the gross savings we can take from PBB Phase 1 & assumes a further £3.550M savings will be made from this process across 2021/22 & 2022/23, which based on the outcome of phase 1 is achievable. This shows that we will need to call on the budget reserve in 2020/21 & 2021/22 in order to balance the budget and we will be left with a budget shortfall in the final year of the medium term plan. The Final Settlement is expected to be announced on or before 31st January 2019 and the medium term plan will be reviewed once that is confirmed and the 2019/20 budget is agreed.

	2019/20 Indicative	2020/21 Estimated	2021/22 Estimated	2022/23 Estimated
	£'000	£'000	£'000	£'000
Estimated draft budget (a)	116,954	118,786	119,979	121,628
Estimated funding (b)	113,421	114,881	116,685	118,562
Shortfall (a-b)	3,533	3,905	3,294	3,066
Savings	3,533	3,355	2,050	1,500
Use of Budget Reserve		550	1,244	1,030
Budget Shortfall				536

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 use of this reserve has been considered in light of the settlement information and special grant award.
- 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 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 and has followed that advice.
- 16.3 Based on an increase in Council Tax of £24 in 2019/20 aligned with the award of the Special Police Grant in 2018/19 and the aspiration of increasing officer numbers by 60 in the next financial year a projection of reserve balances has been produced at Appendix C. 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 budget reserve while the general reserve can remain constant at £3M.
- 16.4 The performance & Change Reserve has historically 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. We have planned for this reserve to be depleted by the end of 2018/19 financial year and as a result items that have previously been funded from this reserve will now stop or have been built into the base budget.

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 2019/20 budget began in September 2018 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 2019/20 and the budget report is based on the following numbers:

Unitary Council	Band D Equivalents
Bedford Borough	60,010
Luton Borough	50,665
Central Bedfordshire	102,362
	213,037

- 19.2 This represents an increase in the tax base of 4,104 band D equivalent homes (1.96%) 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 **£113.421M** and a Council Tax increase of £24. The apportionment to each of the Unitary Councils is also shown.

	£'M
Budget Requirement	113.421
Police Grant	(64.090)
Pension Grant	(1.116)
Legacy Council Tax Grants	(4.637)
	43.578
Surplus on the 2018/19 Council Tax collection fund	(0.525)
Precept	43.053
Apportionment between Unitary Councils	
Bedford Borough	12.128
Luton Borough	10.239
Central Bedfordshire	20.686
Precept	43.053

19.4 Using the tax base data supplied by the Unitary Councils, a budget requirement of **£113.421M** would result in an average Council Tax at band D of **£202.09**. This compares to a Council Tax at band D of £178.09 in 2018/19, as rise of £24 per annum (£2.00 per month/46 p per week) or 13.47%, 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 **£113.421M**.

Valuation Band	Tax payable compared to band D (expressed in fractions)	Council tax for Band £
A	6/9	134.73
B	7/9	157.18
C	8/9	179.64
D	1	202.09
E	1 & 2/9	247.00
F	1 & 4/9	291.91
G	1 & 6/9	336.82
H	2	404.18