

**To:** Finance and Resources Committee

**From:** Chief Constable and Treasurer

**Date:** 13<sup>th</sup> February 2009

**BUDGET PROPOSALS 2009/10 AND FORECASTS 2010/11, 2011/12**

**1. Purpose**

1.1 To finalise the revenue budget for 2009/10 and determine the precept and council tax. To note the financial prospects for the medium term.

**2. Background**

2.1 The Finance and Resources Committee discussed the draft budget proposals at its meeting on the 14<sup>th</sup> January 2009. The meeting of the Committee scheduled for 5<sup>th</sup> February 2009 was cancelled and the Committee has therefore been unable to make a budget recommendation to the Authority as would be normal practice. This report updates the Finance and Resources Committee report of 5<sup>th</sup> February 2009 with the latest information and deals with matters raised at that meeting.

2.2 The Finance and Resources Committee was advised that the Chief Constable had delivered a balanced budget within the parameters set by the Authority (4% budget increase) in the Medium Term Financial Plan. The change, budget to budget, is summarised below.

**Table 1: Budget Changes 2008/09 to 2009/10**

	£m	% increase budget to budget
<b>Budget 2008/09</b>	<b>120.7</b>	
Add:-		
Base Pressures (pay awards, increments, employers pension costs, inflation, interest loss)	5.5	4.6%
Budget Growth (safer detention of detainees, citizen focus policing, additional officers)	1.1	0.9%
Less:-		
Savings/Efficiencies	-1.8	-1.5%
<b>Net Revenue Expenditure</b>	<b>125.5</b>	<b>4.0%</b>
Transfer to Reserves (see para 3.4)	0.1	0.1%
<b>Budget 2009/10</b>	<b>125.6</b>	<b>4.1%</b>

- 2.2 The 2009/10 budget is presented and balanced on the basis of a 4.99% increase in the Band D council tax:-

	<b>Band D</b>
2008/09	£156.87
2009/10	£164.70
Increase per annum	£7.83
Increase per week	15p

### **3. Financing**

- 3.1 On the 20<sup>th</sup> January 2009 the Government confirmed the Provisional Grant Settlement for 2009/10 (year 2) with no changes. It also confirmed the (still) provisional grant for 2010/11, but see below.
- 3.2 For this Authority the three year Grant Settlement provides for increases of 3% year on year for the CSR period. This is above the average overall increase of 2.7%.
- 3.3 To stabilise funding to the police service the government has again applied minimum 'floor' increases. The floor is set at 2.5% for all authorities, with those above the floor having to pay for those below it. This Authority (which is above the floor) has again 'lost' £2.7m (year on year) in formula grant. This situation has pertained every year since 2003/04 and the cumulative loss since then is £15.9m (average loss £2.3m per annum).
- 3.4 The final Tax Base figures notified by the Collection Authorities increased by 0.86% over the previous year, 0.1% more than the estimate and generating £43k additional precept. The Collection Authorities have also reported net collection fund surpluses, of which this Authority's share is £97k. The net additional funding of £140k will be transferred to General Reserve.
- 3.5 Total financing available for 2009/10 (and the forecasts for the two following years), are set out in rows 25 to 29 of Appendix 1.
- 3.6 The forecasts presented in Appendix 1 provide for a 4.0% increase in Net Revenue Expenditure in 2010/11 and 3.5% in 2011/12.
- 3.7 Although the government has published a three year settlement covering 2008/11 commentators are saying that the economic downturn is increasingly putting public spending plans at risk. The 3% grant increase forecast for 2010/11 should probably be regarded as optimistic and 0% increases in the following year(s) are a possibility. A 3% increase in grant is worth around £2.5m (2% of net budget).

### **4. Use of Reserves**

- 4.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Treasurer) to report on the adequacy of the proposed financial reserves as part of budget setting considerations. That report is set out at Agenda Item 7.

- 4.2 Appendix 2 identifies the cost to the Authority of reduced interest on investments in 2009/10 and 2010/11. The Finance and Resources Committee considered using reserves to make up the loss (around £0.5m per annum for 3 years), on the assumption that interest rates would return to previous levels by 2012/13. As the loss of interest has already been included in the balanced budget proposal, the £0.5m from reserves could allow further growth of £0.5m to be accommodated from the Chief Constable's priority list.
- 4.3 The high priority unfunded growth bids are set out at Appendix 4 together with the Chief Constable's comments.
- 4.4 The Committee also discussed, but did not favour, using the £0.5m (in 2009/10) from reserves to reduce the council tax (i.e. the reserves would finance the interest loss).
- 4.5 The use of reserves (for either option) would have to be an open ended commitment until such time as interest rates return to former levels. The previous report to Finance and Resources Committee made it clear that if they did not, cuts in the base budget of £0.5m would be required.

## **5. Robustness of estimates**

- 5.1 Under Section 25 of the Local Government Act 2003, the Chief Financial Officer (Treasurer) of the Authority is also required to report on the robustness of the estimates made for the purposes of the budget calculations.
- 5.2 Appendix 3 is an extract of Section 3 'Budget Detail' of the report to the last meeting of the Finance and Resources Committee.
- 5.3 The budget has been prepared in accordance with traditional methodologies used in previous years. All employee budgets (representing some 85% of the net budget) have been calculated on a post by post basis. Proposals for growth and reductions (including additional staff) have been discussed at Force Executive Board and were considered by the Finance and Resources Committee on 14<sup>th</sup> January 2009 (details at Appendix 3).
- 5.4 Budget holders have been actively engaged in 2009/10 budget preparation as very tight cash limits were issued to them by the Director of Finance. Working through a series of Star Chamber exercises, it has been possible for the Chief Constable to prepare a balanced budget.
- 5.5 Account has been taken, as far as is known, of the financial and service implications of the economic downturn.
- 5.6 The budget also allows for underlying spending patterns in the current financial year, for example police officer pay, where full recruitment is now expected to be reached before 1<sup>st</sup> April 2009.

## 6. Capital Financing

- 6.1 The Prudential Indicators and Treasury Management report at Agenda Item 8 (which must be considered as part of the budget setting process) sets out the requirements for borrowing in the short/medium term. The timing of additional borrowing is dependant on the timing of capital receipts. The debt charges (capital financing) budget 2009/10 may therefore be understated (capital money spent quickly and capital receipts delayed even further) or overstated (capital receipts arrive early and expenditure delayed). It is more likely that the budget is over provided and in accordance with the report on Reserves at Agenda Item 7, any underspend will be transferred to the Capital Reserve at year end.

## 7. Consultation, Council Tax and Capping

- 7.1 The Authority has been able to make a presentation (including budget considerations) at around 20 meetings across the county and in Peterborough over the last 6 weeks. The returned questionnaires are now being analysed and the results will be reported orally at the meeting.
- 7.2 What is clear so far is that around 50% of those who completed the questionnaire would spend 'the same' on services, followed by around 40% 'more' and the minority 'less'.
- 7.3 The Government has been consistent in its expectation that increases in 2009/10 should be 'substantially below 5%'.
- 7.4 If the Authority was capped and council tax payers had to be re-billed, the cost to the Authority would be around £0.5m and the budget would have to be reduced.

## 8. Recommendations

The Authority is recommended to:-

- 8.1 Approve the Net Budget Requirement (Appendix 1 row 23), of £125,606,000.
- 8.2 Approve the precept of £44,466,283 (Appendix 1 row 28) to be levied on the District Councils and to be received in 10 equal instalments in accordance with the 'fall-back' provisions of the Local Authorities (Funds) (England) (Amendment) Regulations 1995. (Details set out in Appendix 5).
- 8.3 Approve the Council Tax for each Band of property, based on the number of Band D equivalent properties notified to the Authority by the City/District Councils (269,984):-

Band	Council Tax		Band	Council Tax
A	£109.80		E	£201.30
B	£128.10		F	£237.90
C	£146.40		G	£274.50
D	£164.70		H	£329.40

## BIBLIOGRAPHY

Source Document (s)	Contact Officer	Location
Budget Report Police Authority Agenda 18 <sup>th</sup> February 2008  Finance and Resources Committee Agenda 14 <sup>th</sup> January 2009	Niki Howard Director of Finance T. 01480 425049 E. <a href="mailto:niki.howard@cambs.pnn.police.uk">niki.howard@cambs.pnn.police.uk</a>  John Hummersone Treasurer to the Police Authority T. 01638 667090 E. <a href="mailto:john@hummersoneconsulting.co.uk">john@hummersoneconsulting.co.uk</a>	Cambridgeshire Police Headquarters, Hinchingsbrooke Park, Huntingdon, Cambridgeshire, PE29 6NP.
<p><b>Originating Officer:</b> Niki Howard, Director of Finance and John Hummersone, Treasurer</p> <p>Is it considered that this report contains 'exempt information' and should be considered in private? NO</p> <p>If the answer is "YES", please state the nature of the exempt information and the relevant clause (s) in Part 1 of Revised Schedule 12A to the Local Government Act 1972</p> <p>.....</p> <p>The attached report has been cleared with the undermentioned officers: (delete as appropriate)</p> <p><del>Chief Executive</del>/Chief Constable/Treasurer</p> <p>Others .....</p> <p>Submitted on ...5<sup>th</sup> February 2009.....</p> <p>A report will not be sent to the Authority unless this box has been satisfactorily completed and all necessary consultation carried out - the responsibility for which rests with the originator (except for consultation with the Chairman and this will be undertaken by the Chief Executive).</p>		

## Cambridgeshire Police Authority Budget 2009/10 and Medium Term Forecasts

### Summary

	Ref.	Budget 2008/09 £'000	Estimate 2009/10 £'000	Incr %	Forecast 2010/11 £'000	Forecast 2011/12 £'000
Police Officer Pay & Allowances	1	54,049	55,807	3.3	57,975	59,955
Police Officer Overtime	2	3,000	3,000	-	3,005	3,009
PCSO Costs (net of funding)	3	2,023	2,076	2.6	2,196	2,301
Police Staff	4	27,943	29,359	5.1	30,452	31,523
Police Staff Overtime	5	228	218	-4.5	222	226
Training	6	1,901	1,319	-30.6	1,346	1,373
Other Employee Expenses	7	253	248	-2.1	248	248
Police Pensions	8	13,883	14,474	4.3	15,057	15,700
<b>Total Employee Costs</b>	9	<b>103,280</b>	<b>106,501</b>	3.1	<b>110,501</b>	<b>114,336</b>
Premises Costs	10	3,809	4,125	8.3	4,207	4,291
Transport Costs	11	2,063	2,040	-1.1	2,081	2,122
Supplies & Services	12	16,747	17,204	2.7	17,548	17,899
Agency Services	13	2,245	2,296	2.3	2,342	2,389
Capital Financing Costs	14	1,275	1,459	14.4	1,864	2,159
<b>GROSS REVENUE EXPENDITURE</b>	15	<b>129,419</b>	<b>133,624</b>	3.2	<b>138,542</b>	<b>143,196</b>
Grant Income	16	-5,846	-5,349	-8.5	-5,166	-5,166
Specific Grants & Initiatives	17	-175	-	-100.0	-	-
Other Income	18	-2,748	-2,809	2.2	-2,865	-2,923
<b>Total Income</b>	20	<b>-8,769</b>	<b>-8,158</b>	-7.0	<b>-8,031</b>	<b>-8,088</b>
<b>NET REVENUE EXPENDITURE</b>	21	<b>120,650</b>	<b>125,466</b>	4.0	<b>130,511</b>	<b>135,108</b>
Contributions +To / - From Reserves	22	-	140	-	-	-
<b>NET BUDGET REQUIREMENT (NBR)</b>	23	<b>120,650</b>	<b>125,606</b>	4.1	<b>130,511</b>	<b>135,108</b>
Net Budget Increase year on year %	24		4.1%		4.0%	3.5%
<b>Financed by:</b>						
Revenue Support Grant and Redistrib. Business Rates	25	31,707	32,521	2.6	33,401	34,236
Police Grant	26	46,983	48,522	3.3	50,100	51,353
<b>Total Formula Grant</b>	27	<b>78,690</b>	<b>81,043</b>	3.0	<b>83,501</b>	<b>85,589</b>
Precept	28	41,993	44,466	5.9	47,010	49,519
Collection Fund - Deficit / +Surplus	29	-33	97	-393.9	-	-
<b>TOTAL FINANCING</b>	30	<b>120,650</b>	<b>125,606</b>	4.1	<b>130,511</b>	<b>135,108</b>
Band D Council Tax £	31	£156.87	£164.70	5.0	£172.74	£180.52
Council Tax Band D increases	32		4.99%		4.88%	4.50%
Taxbase	33	267,693	269,984	0.9	272,144	274,321
Grant increase	34		2.99%		3.03%	2.50%
Council Tax base increases	35		0.86%		0.80%	0.80%
					<i>assumptions</i>	

NB above figures may not cast exactly due to roundings.

**Cambridgeshire Police Authority  
Medium Term Financial Plan 2009 to 2012  
Main Budget to Budget Changes**

*As presented to Finance and Resources Committee 16<sup>th</sup> January 2009*

Summary	Budget 2008/09 £m	Forecast 2009/10 £m	Forecast 2010/11 £m	Forecast 2011/12 £m
<b>BASE BUDGET/FORECAST (NBR)</b>	<b>120.7</b>	<b>120.7</b>	<b>125.5</b>	<b>130.5</b>
<b>Budget Pressures (Base)</b>				
Revenue effects of Capital Programme		0.2	0.4	0.3
Pay Awards		2.2	2.3	2.4
Pay Increments		0.5	0.6	0.8
Police Pensions		0.6	0.6	0.7
Price inflation		1.5	1.3	1.4
Reduction in investment interest		0.5	0.2	
Olympic Games				0.5
<b>Budget Growth</b>				
Safer Detention of Detainees		0.3		
Citizen Focus Policing		0.3		
Additional Officers		0.5	0.5	
<b>Sub Total</b>		<b>6.6</b>	<b>5.9</b>	<b>6.1</b>
<b>Budget Savings/Efficiencies</b>				
ICT Collaboration		-0.5	-0.5	-0.5
Fleet Collaboration		-0.2	-0.2	-0.2
<b>Sub Total</b>		<b>-0.7</b>	<b>-0.7</b>	<b>-0.7</b>
Budget savings / Efficiencies required		-1.1	-0.2	-0.8
<b>TOTAL FORECAST NBR</b>	<b>120.7</b>	<b>125.5</b>	<b>130.5</b>	<b>135.1</b>
<b>Financed by:</b>				
Revenue Support Grant and Redistrib. Business Rates	31.7	32.5	33.4	34.2
Police Grant	47.0	48.5	50.1	51.4
<b>Total Formula Grant</b>	<b>78.7</b>	<b>81.0</b>	<b>83.5</b>	<b>85.6</b>
Precept	42.0	44.5	47.0	49.5
<b>TOTAL FINANCING</b>	<b>120.7</b>	<b>125.5</b>	<b>130.5</b>	<b>135.1</b>
Band D Council Tax £	£156.87	£164.70	£172.91	£180.69
Council Tax Band D increases		4.99%	4.99%	4.50%
Taxbase (final)	267,693	269,723	273,207	276,623
Grant Increase		2.99%	3.03%	2.50%
Council Tax base increases	1.52%	0.76%	0.80%	0.80%
			assumptions	

**Finance and Resources Committee 14<sup>th</sup> January 2009**  
**Extract from Budget Report...**

**3. Budget Detail**

.....A 4.99% council tax increase has been assumed at this stage for 2009/10 and 2010/11 and 4.5% for 2011/12. Reasons for the main budget to budget (2008/09 to 2009/10) changes are set out below:

**Police Officers**

- 3.1 Police Officer budgets include provision for an additional 15 Police Officers in 2009/10 and a further 15 in 2010/11 taking the establishment from 1,397 to 1,427 at 1<sup>st</sup> April 2010. Given the flexibility granted to Budget Holders described at paragraph 2.10 above, this additional resource may well be deployed as Police Staff, newly civilianised roles or other human resource in order to best meet local objectives.
- 3.2 The Committee is asked to note that the proposed establishment exceeds the 2008/09 "Crime Fighting Fund floor" of 1,368 by 59 posts.
- 3.3 Police Officer budget figures also reflect the confirmed 3 year pay award as follows: the full year effect of the 2008/09 2.65% increase; a further 2.6% in 2009/10 and 2.55% in 2010/11. An increase of 2.55% has been assumed for 2011/12. The cost of an additional 1% on the police officer paybill is approximately £0.55m in a full year.

**Police Staff**

- 3.4 Police Staff budgets are based on an establishment of 988.2 fte posts reduced by a vacancy factor of 2%. A department by department analysis is set out below:

	2009/10 fte	2008/09 fte	Change fte
Investigations	282.9	283.0	-0.1
Safer Communities	223.7	236.7	-13.0
Central	63.8	58.8	5.0
Southern	61.5	58.7	2.8
Northern	60.2	51.3	8.9
ITC	47.7	47.7	0.0
HR	43.4	41.9	1.5
Finance	34.7	34.6	0.1
ACPO/Strategic Development/QAT	33.3	31.1	2.2
Management of Police Information	31.4	17.1	14.3
Learning and Development	27.8	27.3	0.5
Estates	21.7	23.0	-1.3
Fleet	21.0	21.0	0.0
Corporate Communications	14.4	15.0	-0.6
Professional Standards Department	10.5	11.5	-1.0
Police Authority	8.2	8.0	0.2
Corporate	2.0	2.0	0.0
<b>Total</b>	<b>988.2</b>	<b>968.7</b>	<b>19.5</b>

- 3.5 The net increase of 19.5 posts includes an additional 7 Civilian Detention Officers in Northern previously funded from Drug Testing on Charge Monies and 12 agreed growth posts (including Single Point of Contact Officers and Victim Contact posts) identified as part of the Star Chamber process (see para. 2.10 above).
- 3.6 All growth posts have been accommodated within the pre-defined cash limits (see paragraph 2.8 above) and do not include any temporary posts funded from the Workforce Development budget in 2008/09.
- 3.7 The pay award for Police Staff has also been agreed and is included in the draft budget. Pay rises are 2.6% for 2008/09 and 2009/10 and 2.58% for 2010/11 and 2011/12. The cost of an additional 1% on the Police Staff paybill is approximately £0.25m in a full year.

### **Training**

- 3.8 The Training budget has decreased by 31% (£1.0m) because there is a reduced provision for Citizen Focus training.

### **Police Pensions**

- 3.9 Police Pensions comprise the Authority's (employer's) contribution to the Police Pension Fund which is currently set at 24.2% of serving Police Officer salaries, and the cost of ill-health and injury awards. Police Pension costs are forecast to rise broadly in line with Police Officer pay.

### **Premises**

- 3.10 Costs have increased by 8.3% reflecting additional provision in respect of the Cope Court and Chord Park acquisitions and the higher costs of utilities (around 8%).

### **Transport**

- 3.11 Budgeted costs have decreased by 1.1% as budgets were increased substantially last year to reflect the cost of fuel. The budget also reflects the savings which have had to be made to the base budget in order to produce an overall balanced budget.

### **Capital Financing Costs**

- 3.12 The majority of the Capital Programme is financed by borrowing; however some significant capital receipts were forecast for 2009/10 and beyond. The economic downturn has meant that these receipts are likely to be delayed and less than originally forecast. Slippage in the programme, which has been a trait of previous years, is likely to be improved by the year end. All of these factors mean that the revenue costs of capital financing are likely to increase in future years.

- 3.13 Details of the Capital Programme 2009/10 will be provided to the next meeting of the Committee on 5<sup>th</sup> February 2008.
- 3.14 Officers are due to meet the Authority's Treasury Advisers on 13<sup>th</sup> January 2009. Options for repayment or rescheduling of existing loans will be discussed. Outcomes from the meeting will be reported orally to the Committee. The budget workings, at this stage, assume no rescheduling of debt or early repayment of loans.

### **Summary**

- 3.15 The budget presented in Appendix 1 provides for a 4.0% increase in Net Revenue Expenditure in 2009/10 and 2010/11 and 3.5% in 2011/12.

### **Highest Priority unfunded Growth Bids – Submission by the Chief Constable.**

At the meeting on 14th January 2009, the Committee gave consideration to a sum of money being allocated from General Reserves to assist with the shortfall in expected income from investments due to the global financial situation for 2009/10. The figure of £500k has been suggested and below are the outline growth bids submitted by budget holders that were next on the priority list for funding and which total £535k.

#### **Witness Care Officers**

With particular attention and care being attributed to vulnerable and intimidated witnesses, this is an area of expansion and fits with the priorities for the Constabulary. £150k will deliver a further 5 members of staff.

#### **Civilian Investigators**

With the number of new recruits that will be in training for the majority of the year the need to have trained investigators to supplement the Basic Command Units (BCUs) staffing will be an important part of supporting the delivery of Citizen Focus policing. £180k will deliver 2 per BCU.

#### **Custody Detention Officers**

Despite additional budget being attributed to this area of business to bolster number in 2009/10 we still fall short of the recommended number per Custody Centre. £100k will deliver a further 4 across the BCUs.

#### **Learning & Development**

Introduction of an Assessor Cadre to support the IPLDP student officer programme. £105k will deliver a manager and 3 staff.

#### **Comments**

While the above posts would be useful for the Constabulary, the management of yet more additional posts in 2009/10 may prove problematic and further add to training requirements. In the future there may not be the money to sustain these posts as it may take many years for interest rates to improve and to continue to use reserves is equally not sustainable. Therefore we could be faced with the added costs of redundancy in a couple of years.

As the Constabulary has already taken into account the shortfall in investment income as part of budget preparation we would prefer reserves to be used for capital financing. Using the money in this way has the effect of reducing future revenue budget requirements.

## Share of Precept to be paid by each District/City Council in 2008/09

	<b>Council Tax Base</b>	<b>Precept</b>	<b>Collection Fund Surplus(+)/ Deficit(-)</b>	<b>Total Payments Due</b>
	No.	£	£	£
Peterborough City	54,835	9,031,325	45,124	9,076,449
Fenland	30,489	5,021,538	-15,242	5,006,296
Huntingdonshire	57,960	9,546,012	42,893	9,588,905
South Cambridgeshire	58,253	9,594,187	-44,025	9,550,162
East Cambridgeshire	28,800	4,743,360	116,097	4,859,457
Cambridge City	39,647	6,529,861	-47,553	6,482,308
<b>Total</b>	<b>269,984</b>	<b>44,466,283</b>	<b>97,294</b>	<b>44,563,577</b>