

Agenda Item: 7 – Marked “To Follow”

To: Cambridgeshire Police Authority

From: Treasurer

Date: 21st December 2009

POLICE AUTHORITY BUDGET 2010/11

1. Purpose

- 1.1 To inform the Authority about the current progress on budget preparation for 2010/11. To highlight some of the key issues for budget setting and to look at prospects post April 2011.

2. Introduction

- 2.1 The Authority will be required to set its budget on 11th February 2010 for the financial year 2010/11. It will receive a recommendation from the Finance and Resources Committee.
- 2.2 The Finance and Resources Committee considered the Medium Term Financial Plan in October and confirmed the budget working assumptions, including a 3% council tax increase (1% lower than in the MTFP 2009/12). On 14th December 2009 the Committee noted progress by the Force on budget development and the arrangements for balancing the budget.

3. Financing the Budget

- 3.1 The Government has confirmed year three (2010/11) of the three year (CSR07) settlement first announced in November 2007. The Authority will receive a general (formula) grant increase of 3% :-

2009/10 Grant	£81.04m
3% increase	£2.46m
2010/11 Grant	£83.50m

- 3.2 Finance and Resources Committee confirmed a budget assumption of a 3% increase in Council Tax for next year:-

2009/10 Precept	£44.56m	(including £0.1m Collection Fund Surplus)
3% increase	£1.46m	(including £0.2m from higher council tax base)
2010/11 Precept	£46.02m	

1% of council tax is current £0.44m

- 3.3 The sum of these two figures (£129.5m) is the effective cash limit for spending (net) by the Authority.

- 3.4 The initial roll forward of the current year's base budget, together with agreed pay awards and capital financing commitments, gave an estimated Net Budget Requirement of £130.6m. This was £1.1m above the cash limit and the Force has reported good progress in identifying savings to balance the budget.
- 3.5 As the Chief Constable wishes to maintain the current numbers of Police Officers and PCSOs this has meant that reductions are required from all other areas of the budget (including police staff).
- 3.6 This £1.1m excludes inescapable pressures in the current year, for example on interpreters and interest receivable where budgets must be adjusted.

4. Capital Programme

- 4.1 The Government provides £1.5m in capital grant each year. It is possible that Capital Grants may be significantly reduced in 2010/11. Police Authority Treasurers and ACPO are lobbying the Home Office hard on this matter.
- 4.2 This Authority's capital spending is also financed by capital receipts (if available), reserves (some available), but the largest proportion is loan financed.
- 4.3 The Southern BCU Scheme is, potentially, the largest scheme ever to be undertaken by this Authority. The project is now in its second phase and there are a number of key decision points for the Authority along the way.
- 4.4 Underlying the project is the need to establish the scheme in the Capital Programme (an 'in principle' approval) pending the decisions at various stages of the scheme.
- 4.5 The estimated scheme cost is £20m and the revenue impact is significant for the Authority. Given the possible reduction in revenue and capital funding in the medium term, funding the scheme will make for difficult choices. The Authority should be reassured that the costs and risks of the 'do nothing' option are being constantly updated.
- 4.6 During this budget setting process it will be especially important for the Authority to understand the revenue costs of capital in 2010/11 and later years.

5. Capping

- 5.1 The Government's stance on capping is well known. The capping rules are made after all local authorities (including Police Authorities) have set their budgets.
- 5.2 The following table sets out the capping criteria for the last few years with this Authority's decisions.

Table 1: Capping Criteria 2006/07 to date.

Year	Capping Criteria		Cambridgeshire	
	Budget increase not more than %	AND Council Tax increase not more than %	Budget increase %	Council Tax increase %
2006/07	6	5	~	5
2007/08	no capping	" less than 5%"	5	5
2008/09	5	5	4	5
2009/10	4	5	4.1	5
2010/11	?	less than the current year average of 3%?	3.1	3?

5.3 The capping criterion in legislation is the budget increase. Government has, by regulation, added council tax increase as another criterion.

5.4 The Authority breached the budget increase criterion in 2009/10.

5.5 In the Treasurer's view there would be a risk of capping if an increase above 3% was approved.

5.6 The Government did not hesitate to cap Surrey Police Authority this year. Surrey had to pay £1.6m back to council tax payers at a cost of £1.2m for re-billing.

5.7 An early survey of council tax increases for 2010/11 shows over 65% of Police Authorities likely to approve increases of 3% or less.

6. April 2011 and beyond

6.1 Beyond next year the financial position of the Authority remains unclear. There will be a General Election before June 2010 and it is therefore unlikely that provisional settlement figures for local authorities will be available before December of 2010.

6.2 The Chancellor, in the present Government's Pre Budget Report (PBR) made it clear that policing was a priority and promised that "sufficient funding will be available in the years to 2012/13 to enable Police Authorities to maintain the current number of warranted Police Officers, Police Community Support Officers and other staff exercising police powers".

6.3 The Pre Budget report also requires the Service (nationally) to make efficiency savings of £500m by 2014 on procurement, overtime and back office functions. More details are in the White Paper "Protecting the Public: Supporting the Police to Succeed" published a few days before the PBR.

- 6.4 A budget working group has been set up by the Constabulary to look at savings options over the next few months. Staff at all levels are being canvassed for ideas. The working group will report in the summer and options will be discussed with the Authority.
- 6.5 This course of action will allow time for proper debate of well calculated and thought through options and is preferable to a rough and ready reductions plan which may not be workable and which could reduce the confidence of the public unnecessarily.
- 6.6 If significant reductions were required from April 2011 there is a slight risk that this arrangement could delay those reductions coming on stream. In these circumstances it would be quite appropriate to use reserves to support the budget.

7. Recommendation

- 7.1 The Authority is asked to note the report and
- a) confirm the intention to increase the council tax by 3% in 2010/11
 - b) confirm the arrangement for scenario planning for 2011 onwards.

BIBLIOGRAPHY

Source Document (s)	Contact Officer	Location
Finance and Resources Committee Agendas October and December 2009	John Hummersone Treasurer T. (01638) 667090 E. john@hummersoneconsulting.co.uk	Cambridgeshire Police Authority, Hinchingbrooke Park, Huntingdon, Cambs, PE29 6NP.
<p>Originating Officer 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) by virtue of 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 Officer/s who have assessed the exemption status above</p> <p>Chief Executive</p> <p>Others</p> <p>Submitted on16th December 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>		