

**Cumbria Police
Authority
18 January 2006**

Agenda Item

A Report by the Treasurer and the Chief Constable

Budget issues 2006-07

1. Introduction

1.1 This report briefly updates members on a number of issues which will feed through to the final budget report to be presented to the Authority budget meeting on 15 February.

1.2 The issues addressed include:

- The timing of the announcement on the Final Settlement
- Representations made to ODPM (and copied to Home Office) on Provisional Settlement, and any replies received.
- Announcement (if any) on Capital Grant and Supported Borrowing in 2006-07.
- Tax base and collection surplus for 2006-07 to be declared by District Councils.
- Impact of January 2005 storms on tax base for 2006-07.
- Finalisation of the Chief Constable's budget proposals.

2. Recommendations

2.1 Members are asked to

(a) receive the report and to note the contents.

(b) consider any final directions to Officers in connection with the preparation of the final budget report.

**Douglas Thomas
Treasurer
12 January 2006**

**Michael Baxter
Chief Constable**

Detail Report

3. Final Settlement

- 3.1 The Final Settlement for the current year was announced on 27 January 2005, and it is anticipated that following completion of the consultation period on 11 January, the Final Settlement for 2006-07 is likely to be announced to a similar timetable, possibly between 26 January and 03 February. This will allow sufficient time to complete the final report for circulation to members by 09 February for consideration at the Authority's meeting on 15 February.
- 3.2 It is perhaps unlikely that there will be any material changes to the overall Settlement. But given the introduction of radical new formulae for determining spending needs and for distributing grant, it is more likely that there may be a greater range of minor changes to make corrections to data, in addition to the more usual minor changes which always arise from the finalisation of the tax base and capital allocations, which do not take place until after the announcement of the Provisional Settlement.
- 3.3 Because of the widespread application of the grant floor to the police service and the flat rate increase in grant at 3.2% which resulted, it is likely that any changes in spending and grant entitlement as a result of changes in data or formula, will be exactly mirrored and offset through the grant floor mechanism. In consequence, major changes are not expected from the Authority's Provisional entitlement announced on 05 December. These provisional figures are summarised in Appendix 2.
- 3.4 Appendix 3 attached has been prepared along similar lines as that presented to Members in December, but illustrates the impact of the revenue growth of £285,000 and efficiency budget savings of £700,000 submitted to the Authority in December. Each of the budget illustrations shows the additional capacity or level of savings which must be made by the Constabulary based upon the constraints implied by the level of tax increase adopted for that illustration.
- 3.5 However, subject to no major changes from the information available to date, and the assumptions made, it will be clear to members that it will be possible to constrain the level of Council tax increase to between (close to) 3% and no more than 4.9% in 2006-07. This would support a budget of between ££89.9m and £90.3m, including the repayment of £461,000 of government grant overpaid to the Authority as a result of the grant Amending Reports for 2004-05 and 2006-07 as reported to the meeting on 15 November. This is also the basis on which budget consultation has taken place through the four Area Liaison Forum Meetings held to date. A copy of the consultation 'handout' and graphs are included at Appendix 4.

4. Representations made to Government on Provisional Settlement.

4.1 Following the delegation given by the Authority to enable me to prepare the Authority's representations, and after consultation with the Chairman, the representations attached at Appendix 1 were made to ODPM and copied to the Home Office on 09 January, in time to meet the deadline of 11 January. Copies have been issued to the County's members of Parliament and to the APA. Any replies received will be circulated to members at the meeting on 18 January.

5. Capital Grant and Supported Borrowing in 2005-06

5.1 The Home Office has yet to announce details of funding available to support capital expenditure in 2006-07, although we are led to believe that they will be issued before the Authority's meeting on 18 January and (if received) will be circulated to Members before the meeting.

5.2 Nationally, total capital grant provision within the Police Settlement has been increased to £413m, an increase of £50m over 2005-06. The Home Office has indicated an intention to retain £50m in 2006-07 as a basis for support under (any) merger proposals. So there is an expectation that the amounts allocated to individual Authorities might be similar to this year.

5.3 So far as Cumbria's allocation is concerned, the table below shows the figures for 2005-06, and the figures for 2006-07 will be given before the meeting. As in previous years, the use of general capital grants will not be restricted to the year of allocation. In making these allocations in 2005-06, the Home Office advised that the increase over 2004-05 was intended to support Authorities in dealing with the pressures on their net revenue budget requirements, by reducing the amount needed from revenue to fund capital projects. It will interesting to see whether a similar approach is adopted for 2006-07.

5.4

Form of finance	2005-06	2006-07	Change
	£000	£000	£000
Capital grant – general	1,051		
Borrowing Approval / Supported expenditure	621		
Total	1,6,72		

5.5 In addition in 2005-06, the Constabulary has received a major ad hoc grant allocation of £1.2m towards re-establishing custodial facilities following the January 2005 storms.

6. Tax Base and Collection Fund Surplus for 2005-06.

6.1 This meeting is taking place almost a fortnight earlier than in 2005 and at the time of writing this report a number of Districts are still to calculate and advise on their 2006-07 tax base whilst surpluses have to be calculated based on the position at 15 January. However, I have sufficient information to be confident that the local tax base will increase from 172,355 to a figure in the region of 173,800 and which is the basis of the budget illustrations in Appendix 3. Similarly, from the estimated information provided, I feel confident that the surplus on collection to be declared for 2006-07 will not be less than the figure of £200,000 used in the budget illustrations.

6.2 At a 'conservative' figure of £200,000 (if confirmed) the overall surplus on collection would represent a slight reduction from the figure of £223,224 declared for the current year. However this would not be as a result of any reduction in the efficiency of the Districts' collection procedures, but rather a reflection that some of the Districts already include a very high collection assumption in their tax base, whilst others have increased their assumed collection rate when calculating their tax base for recent years, thus reducing their capacity to yield surpluses in later years.

7. Impact of storms on tax base for 2006-07

7.1 One of the impacts of the storms in January 2005 was that a substantial number of houses in the centre of Carlisle were not capable of occupation until the completion of major repairs. As a result, the City's tax base was depressed by the effect of the vacated properties which were effectively removed from liability to Council tax. Although there has been a substantial recovery in Carlisle's tax base, from the lower substituted figure declared for 2005-06, it is still the case that the City's tax base remains lower than it would otherwise be due to the number (albeit smaller) of homes where repairs have not been completed.

8. Budget Proposals by the Chief Constable

8.1 In February 2005, when approving the budget for m2005-06, the Authority also approved a new time table for considering both the development of the Authority's strategic plans and for the submission of revenue and capital growth items and the identification of efficiency budget savings. The further development of the three-year Medium Term Financial Plan in June 2005 and updated in September 2005, has provided a robust planning tool to both the Authority and the Constabulary in giving an advance forecast of the likely scale of grant resources, spending and inflation assumptions, and the likely constraints on council tax increases. This has allowed for the adoption of realistic budget assumptions to be widely circulated as a basis for planning the

2006-07 budget, and coupled with the efficiency regime, is a major reason why the Authority can achieve a budget within the recently announced constraints without the need to seek further unexpected savings at this critical point in the budget cycle. A similar approach is recommended and an updated timetable for strategic and budget planning in 2006-07 will be submitted along with the final budget report in February.

8.2 The Chief Constable is preparing a separate report in connection with 2006-07 budget issues still to be finalised before our joint report to the Authority in February.

8.3 We remain confident that the final budget report can be issued to Members by 07-09 February for consideration on 15 February as currently timetabled.

Douglas Thomas
Treasurer
12 January 2006

Michael Baxter
Chief Constable



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09 January 2006

CPA 05.02.03
CPA 05.02.02

PROVISIONAL GRANT SETTLEMENT 2006-07 AND 2007-08
RESPONSE OF CUMBRIA POLICE AUTHORITY

Dear Mrs Hinde

I am pleased to set out the views of **Cumbria Police Authority** in response to the proposals made on 05 December 2005 in respect of the Provisional Settlements for 2006-07 and 2007-08.

GENERAL ISSUES

Police Force Structures

As represented in the response to the Grant Consultation on 10 October, Cumbria Police Authority remains concerned that that the work undertaken in formulating the adopted model will never be fully implemented, if at all, due to the subsequent proposals by the Secretary of State for force restructuring. Far from bringing simplicity and certainty, the adoption of the proposals will actually cause more turbulence over the forthcoming years than is likely to have been caused had the government chosen not to implement the new formula model.

Cumbria Police Authority supports calls for the government to think seriously about the radical impact on the funding of the police service. This will involve further detailed research into funding formulae and also the overall quantum totals and the Home Office must start this work immediately in order to ensure that a more robust grant mechanism is available when the new structure is in place to ensure the transition is as smooth as possible.

Quantum

Cumbria Police Authority recognises that the government has introduced a significant amount of new funding into the service over the last few years, but this has still fallen short of providing sufficient funds to meet the needs of the service as calculated by the government's own formula. Hence the need for the high scaling factor.

The actual net cash increase in the grant from the Government for Police Authorities in 2006/2007, after taking account of the effects of the Amending Reports, is £221M, which represents an increase of 3.26%. The APA in its submission for the 2006-07 Settlement made the case for a grant increase of 6% and the proposals fall short by the order of £250m.

The government confirmation of its expectations for Council Tax increases of no more than 5% and its commitment to the use of capping powers to ensure such levels are adhered to, leaves little scope for authorities to plan and develop their service over the coming years.

Crime Fighting Fund and Specific Grants

Cumbria Police Authority is again disappointed that the government has still not committed to relaxing the rules surrounding the Crime Fighting Fund. As stated in previous representations it is perverse that where an authority has the opportunity to generate efficiency savings in order to balance its budget, it could then be faced with a consequent reduction in its funding. This inhibits the implementation of the efficiency agenda and therefore lessens the impact that it can have and prevents the authority from making better use of its resources. It is also perverse where, as is the case for Cumbria, having funded significant additional policing resources at its own local cost, it is then prevented from any future relaxation against its locally adopted standard, and yet at the same time is liable to be capped or in the alternative required to make unacceptable savings against other areas of the Authority's budget.

Whilst welcoming the amalgamation of the specific grants where possible, and the potential (albeit limited) scope for greater flexibility, Cumbria Police Authority would point to the failure to index some of the grants. This has the effect of diluting the overall Settlement value to below the claimed 3.2% at a local level.

Funding and Information announcements

The Authority is disappointed that the government did not coordinate the announcements more closely, so that all information was made available at the same time and from the start of the consultation process. Even as these representations are being made there are areas of the Settlement where announcements are still to be made. In addition, given the scale of changes in the formulae used in calculating spending needs and grant distribution and the significant departures from the basis on which the earlier consultations took place, more supporting information and explanations would have greatly assisted the reception, analysis and understanding of the Provisional Settlement(s). The relaxed manner towards providing this information over the consultation period has proved to most frustrating and a real obstacle to budget planning and reporting and has not allowed sufficient time for accurate analysis to be undertaken before the end of the provisional settlement consultation period.

The government did not make the data included within the settlement available until two weeks after the settlement was announced. As the information was clearly available earlier in order to calculate the allocations, it is difficult to understand why it was not made available at the time of the announcement to parliament.

The government must ensure that the 2007/08 settlement receives a full consultation period in its own right to allow authorities to make informed representations based on detailed analysis.

Basic Entitlement

Cumbria Police Authority in its earlier response to the Grant Consultation paper, stated its belief that the key to a successful formula that promotes stability is one that is built around the highest possible basic entitlement. It is pleasing to see that the government have agreed with this view and have significantly increased the basic entitlement within the formula. However, why has it been necessary to so disguise the figures (and the true value of all of the other indicators) by requiring each of the indicator amounts to be multiplied by the 2005-06 FSS of £64,800,000,000 and then divided by 10,000,000 in order to discover this fact?. Other keys to a successful formulae are simplicity and transparency, both in its purpose and in the logic of its outcome. These formulae *must* be capable of being explained to Authority members, senior officers, and (you may be surprised to hear) interested members of the public as part of the consultation on the Authority's budget. The Authority's Treasurer has confessed that for the first time in almost 30 years of working at Chief Officer level he has found the utmost difficulty in working through and understanding the tortuous and tenuous nature of the formulae, let alone in providing simple and robust explanations for lay members and the public.

SPECIFIC ISSUES

Alternative Grant Distribution (4 Block Model)

The ODPM have previously stated their commitment to applying the aims of Simplicity; Fairness; Intelligibility; Stability and Robustness to the funding formulae:

Cumbria Police Authority supported these aims wholeheartedly when responding to the Grant Consultation paper, and in common with the universal family of local authorities, opposed the option for introducing the '4 Block Model' because it failed these objectives on all counts. The Home Office in its summary of responses to the consultation, reported, "Responses from the policing community were overwhelmingly against the introduction of a new grant system. They regarded possible changes as further complicating a complex system and making it less transparent than at present."

Not only is it most disappointing that the government have chosen to adopt the new methodology but that in doing so they have stated a belief that it better meets the objectives stated above. This model is far more complex than the existing FSS methodology, and uses much greater ministerial judgement, resulting in a less transparent methodology. Whilst supporting the principles of the ODPM's work to find a new simpler methodology for grant distribution, Cumbria Police Authority does not feel that the adopted arrangements adequately meets any of the criteria laid out.

The ODPM state that notional FSS and Tax totals were being used as guides for appropriate levels of spending and have therefore decided to adopt a format that completely disguises and obscures these figures. Yet underneath, they are still important factors in the calculation of the formula grant. The 4 Block model allows the obscuring of changes to these totals.

Of even greater concern to Cumbria Police Authority is the fact that, the actual model used is significantly different in its calculations to that consulted upon during the summer. The clearest example to illustrate this is the Resource Block, which during the formula review consultation accounted for the distribution of one third of the formula grant. Now, however, is it used to actually reduce the amount for formula grant allocated based on the individual authorities ability to raise Council Tax, as shown in the table overleaf:

	Consultation Paper	Provisional Model	Change
Relative Needs	34%	71.03%	+37.03
Resource	33%	-24.59%	-57.59

Cumbria Police Authority, in its consultation response, stated that it was unhappy that the weightings applied to each of the new blocks could easily be manipulated by ministerial judgement. This appears to be exactly what has happened. By summing the relevant sub-block weightings we find that only 46.44% is funded through these blocks rather than the level of 67% as consulted upon.

This has the knock on effect of making the Central Allocations block the largest factor in the funding formula, rather than the Relative Needs sub-block, which is based around the newly developed formula that more accurately reflects the funding needs of the police service.

Changes have also been applied to other weightings within the formula. In the example below, the Share of ANCT given to each class of local authority (as consulted upon) has changed compared to the Share of Taxbase (as it is now effectively known) used in the new model,:

	Consultation Paper	Provisional Model	Change
Lower Tier	0.1651	0.1586	-0.0065
Upper Tier	0.7128	0.7208	0.008
Fire	0.0358	0.0339	-0.0019
<i>Police</i>	<i>0.0863</i>	<i>0.0868</i>	<i>0.0005</i>

The overall effect of all these changes means that this is effectively an entirely new formula that is based along the similar lines as the one consulted on, but with quite different results. Cumbria Police Authority does not see the need for this to be case, particularly in the light of the government's decision to heavily dampen the model in order to give an effective flat rate increase for the two-year settlement period. There has not been any evidence provided that the model is statistically more accurate, and, perversely given the stated objectives, it is far less intuitive or easy to understand.

Cumbria Police Authority feels that it is unacceptable to present a two-year provisional settlement that is calculated via a model that was not even consulted on during the summer, which is poorly presented and accompanied by incomplete, inaccurate or misleading supporting documentation and is therefore not comparable to the previously studied and exemplified models.

Multi-year Settlements

In principle, Cumbria Police Authority welcomes the potential for stability offered by the introduction of these multi-year settlements, but has concerns about whether this can be achieved.

A high degree of turbulence and uncertainty has been introduced by the new spending needs and grant distribution models, as evidenced by the (effective) decision to then suspend the results in favour of flat rate increases. This has had the opposite effect and introduces even greater uncertainty, particularly for Authorities like Cumbria which have lost so heavily from the application of the new models. Whilst damping has given immediate relief in the two-year outlook period, it is not clear whether this can be relied upon for the foreseeable future (restructure apart), or whether the Authority should start to plan for a major (£12m) reduction in resources over the longer period ahead, with catastrophic effects on the level of neighbourhood policing, and compounded by a further £2m due to the restrictions imposed by the rules attaching to the Crime Fighting Fund. If, as the Authority would expect, the government would be most concerned at any reduction on the scale implied, then it makes the status of the new grant model even more problematic, with a corresponding increase in uncertainty.

Following the delay of the 2006 Spending Review, the Authority is also concerned about the lack of any reassurances from HM Treasury as to the pattern and frequency of future spending reviews and therefore questions the government's commitment to the process. With the three-year settlements intended to coincide with these reviews, this issue needs to be urgently addressed.

Clarification is also *urgently* required on the issue of setting indicative Council Tax bills for the second year period of the settlements. Phil Woolas in his speech to the House of Commons on 5th December stated that "there is no reason why councils cannot now provide similar certainty for their council taxpayers when setting their council tax for 2006/07 by providing indicative council tax for 2007/08". However, in the Council Tax Information Letter 6, the government state "we are envisaging no change to the demand notice regulations for Council Tax for the March 2006 billing round". There seems to be a great deal of confusion within local government about whether indicative figures are required for 2007/08 and just how firm these figures should be. In the absence of further (new) regulations, it is difficult to see how there can be any requirement on Authorities to give greater certainty to tax payers for the second year period, other than through the existing requirement to publish the three year impact of the its adopted budget and which will carry greater weight than would previously have been the case.

Resource Equalisation

Although Cumbria Police Authority welcomes the proposal to increase the Formula Spending to match current levels of spending within the service, the government have chosen not to fund this but rather to penalise other classes of authority. Therefore, the net formula spend across all types of authority has not altered. In order to be consistent, this additional spending should also be recognised by Government putting in its share of grant as additional resources.

It is also perverse and ironic that Cumbria Police Authority, which has been compelled to spend significantly beyond the previous Formula Spending Share in order to provide acceptable standards of service across one of the largest and most sparsely populated County's with a challenging and difficult topography, *and has therefore contributed some £12m to the uplift in service expenditure which is now being recognised*, should then see both this uplift of £12m and a further £11m of previously recognised expenditure, redistributed to other Authorities !

There are fundamental problems with the approach used in this settlement.

The proposals are based on equalising selected items of past spend, which takes no account of the quality or efficiency of services provided, nor of local decisions, such as the decision made by Cumbria Police Authority in 2003-04 to provide additional resources to address neighbourhood policing, beyond the level recognised in the previous spending and grant distribution formulae. There are currently no established principles on what should be equalised and Cumbria Police Authority would support calls for the need for detailed, independent research to establish the need, level and mechanism before any introducing any further Resource Equalisation.

Amending Reports

Cumbria Police Authority welcomes the continuation of the adjustments made to authority baselines to ensure that those authorities, like Cumbria which are adversely affected, still receive a formula grant increase of at least the floor. However, the Authority would reiterate its belief that the government should adopt the precedent implemented by the DfES of providing additional funding to minimise the impact of the Amending Reports for those authorities adversely affected through no fault of their own.

The Authority has also noted that, in the 2004/05 Amending Report the shares of ANCT also change between authority groups, and asks again that the government provide clear and transparent methodology for calculating SANCT. Retrospective changes to the level of grant support are in opposition to the aims of multi-year settlements.

Police Pensions

Following the consultation earlier this summer on the report of the Working Group on Police Pensions Finance Reform, the proposals for a new national pensions arrangement were adopted, and were fully supported by Cumbria Police Authority.

However, given the scale of previous consultation and engagement with the family of Police Authorities in finding an acceptable way forward, Cumbria Police Authority is most disappointed and concerned over the change in level of employer contributions at such a late stage, and that this change has not been widely and clearly announced. In effect we learnt about it 'in passing' and had to wait further for an explanation of this change and changes in the overall pension amounts adopted as the basis of the grant changes for the 2005-06 base year. The change in the employers' contribution rate will have an additional impact on our budgets and is not helpful at such a late stage of the process, particularly as it comes in addition to the gap created by the shortfall in government funding. Might it be possible to increase the first period from two years to five years before review and so restore the original rate whilst still being coterminous with the LGPS ?

Counter Terrorism

Along with the pensions transfer there was a transfer out of FSS of the Counter Terrorism funding (Dedicated Security Posts).

It is disappointing that the amount notified to Cumbria Police Authority falls £24,000 short of the amount previously funded through the main grant formula, increasing to £40,000 when account is taken of 3% pay awards, and this adds further to the funding difficulties being experienced for 2006-07.

Capital financing

In the consultation, the government proposed options for removing the Interest Receipts blocks, which were both negative. Cumbria Police Authority supported this proposal and indeed this is what the government has chosen to do and has increased what would have been FSS by £818m, of which the Police Service stood to gain £58m. However as this does not represent additional funding being put into the system, the result could actually mean something completely different. Due to the introduction of the 4 Block Model and the concealing of the FSS control total, the actual outcome is impossible to establish.

In addition to this, it was argued that those Interest Receipts that were applicable to Schools should have transferred along with the funding of Schools, and that no additional burden should fall upon non-education authorities. However the government have chosen to ignore this request and therefore the rest of local government are left to shoulder the burden.

Floor Damping

Cumbria Police Authority supported the proposal and welcomes the fact that the floor damping and scaling factor is in operation as in previous years.

However, as previously represented, Cumbria Police Authority believes that the floor protection should be funded by an additional quantum and not at the expense of other Police Authorities.

Use of Negative Indicators

The opportunity is again taken to restate the opposition of Cumbria Police Authority to the use of 'negative' indicators to move funding away from Authorities. But in particular we would again point to the utter perversity of using one particular indicator – the Natural Logarithm of Bars per 100 hectares as one of the elements for determining spending need in most of the crime domains included in the new model for establishing spending needs. In an area as large as Cumbria, and with such a unique and difficult topography, this produces a huge 'negative' when in reality the Authority has more bars per 100,000 population to police than is the case for all of the larger metropolitan forces.

Alternative Notional Amounts

Cumbria Police Authority is content with the need for 'alternative notional amounts' for 2005-06 and with the principles adopted as a basis of enabling a like for like comparison with the 2006-07 budget following the changes in funding for police pensions, seconded officers, and dedicated security posts.

Cumbria Police Authority is pleased to have the opportunity to make this response to the Provisional Settlement proposals and looks forwards to seeing the issues raised being addressed in the Final Settlement. The Authority is happy for its response to be treated as a public document and made available for inspection.

Yours sincerely

Douglas Thomas
Treasurer

	<u>2005-06</u>
Local Council Tax Base	172,355.72
	£.p
Standard Council Tax - Police Authorities	95.13

<u>Cumbria Police Authority</u>	<u>2006-07</u>
	173,800.00
	£.p
	No Longer Applicable

Appendix 2

		<u>Budget Illustrations</u>						
		<u>2006-07</u>						
		1	2	3	4	5	6	
1	Budget basis	Actual 2005-06	Continuation Budget	Illustrated Impact of Restricted Tax Increases in range 3% to 4.9%				
				3.0 %	3.5 %	4.0 %	4.5 %	4.9 %
2	2006-07 Budget Illustrations	£,000	£,000	£,000	£,000	£,000	£,000	£,000
	Continuation Budget	89,000	89,850	89,850	89,850	89,850	89,850	89,850
	Revenue Growth items to December meeting		285	285	285	285	285	285
	Efficiency Budget Savings to December meeting		-700	-700	-700	-700	-700	-700
	<i>Savings still required for this level of Council tax</i>			-46	0	0	0	0
	<i>Additional Capacity with this level of tax increase</i>			0	89	224	359	467
	Grant Repayable re Amending Reports	219	461	461	461	461	461	461
	Adjustments in grant system	-2,420						
	Contribution From Balances	-104	0	0	0	0	0	0
	Budget Supported by Council Tax	86,695	89,896	89,850	89,985	90,120	90,255	90,363
3	Increase in net budget over	2005-06	3,201	3,155	3,290	3,425	3,560	3,668
			(3.69%)	(3.64%)	(3.79%)	(3.95%)	(4.11%)	(4.23%)
4	Financed by							
	External Grant	62,103	61,826	61,826	61,826	61,826	61,826	61,826
	Adjustments to Grant System	-2,437						
	Council Tax Surplus	223	200	200	200	200	200	200
	Council Tax Payers	26,910	27,870	27,824	27,959	28,094	28,229	28,337
5	Extra call for Council Tax over	2005-06	960	914	1,049	1,184	1,319	1,427
	% increase		3.6%	3.4%	3.9%	4.4%	4.9%	5.3%
	Actual							
	£.p		£.p	£.p	£.p	£.p	£.p	£.p
6	Band D Council Tax	155.43	160.35	160.09	160.87	161.64	162.42	163.04
	Increase in band D over <i>actual</i> for this year		4.92	4.66	5.44	6.21	6.99	7.61
	Increase in pence per week		9.5 p	9.0 p	10.5 p	11.9 p	13.4 p	14.6 p
			3.2%	3.0%	3.5%	4.0%	4.5%	4.9%
7	Band B Council Tax	120.89	124.71	124.51	125.12	125.72	126.32	126.80
	Increase in band B over <i>actual</i> for this year		£3.82	£3.62	£4.23	£4.83	£5.43	£5.91
	Increase in pence per week		7.3 p	7.0 p	8.1 p	9.3 p	10.4 p	11.4 p
8	Gearing Effect							
	% increase in spending over current budget		3.7%	3.6%	3.8%	4.0%	4.1%	4.2%
	% increase in Council tax income over current year		3.6%	3.4%	3.9%	4.4%	4.9%	5.3%
	% increase in Band 'D' Council tax over current year		3.2%	3.0%	3.5%	4.0%	4.5%	4.9%

	<u>2005-06</u>
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Appendix 3

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3	Increase in net budget over	2005-06	3,201 (3.69%)	3,155 (3.64%)	3,290 (3.79%)	3,425 (3.95%)	3,560 (4.11%)	3,668 (4.23%)
4	Financed by							
	External Grant	62,103	61,826	61,826	61,826	61,826	61,826	61,826
	Adjustments to Grant System	-2,437						
	Council Tax Surplus	223	200	200	200	200	200	200
	Council Tax Payers	26,910	27,870	27,824	27,959	28,094	28,229	28,337
5	Extra call for Council Tax over	2005-06	960	914	1,049	1,184	1,319	1,427
	% increase		3.6%	3.4%	3.9%	4.4%	4.9%	5.3%
	Actual							
	£.p		£.p	£.p	£.p	£.p	£.p	£.p
6	Band D Council Tax	155.43	160.35	160.09	160.87	161.64	162.42	163.04
	Increase in band D over <i>actual</i> for this year		4.92	4.66	5.44	6.21	6.99	7.61
	Increase in pence per week		9.5 p 3.2%	9.0 p 3.0%	10.5 p 3.5%	11.9 p 4.0%	13.4 p 4.5%	14.6 p 4.9%
7	Band B Council Tax	120.89	124.71	124.51	125.12	125.72	126.32	126.80
	Increase in band B over <i>actual</i> for this year		£3.82	£3.62	£4.23	£4.83	£5.43	£5.91
	Increase in pence per week		7.3 p	7.0 p	8.1 p	9.3 p	10.4 p	11.4 p
8	Gearing Effect							
	% increase in spending over current budget		3.7%	3.6%	3.8%	4.0%	4.1%	4.2%
	% increase in Council tax income over current year		3.6%	3.4%	3.9%	4.4%	4.9%	5.3%
	% increase in Band 'D' Council tax over current year		3.2%	3.0%	3.5%	4.0%	4.5%	4.9%

Cumbria Police Authority

Budget Consultation – Eden Area Community Liaison Forum

S96 Meeting 09 January 2006

Three Parties to Provision of Police Service – Government; Police Authority; Council Tax Payers

1. Government

- Financial Settlement 2006-07 – 4.5% increase to approximately £83bn for Services provided by Local Authorities in 2006-07 and approximately £87bn in 2007-08.
- Government Grants increased by 4.5% to £62.1bn in 2006-07 and to £65.1bn (5%) in 2007-08 leaving Council tax to pick up the balance of approximately £21bn and £22bn respectively – an increase of almost 5% - reducing to approximately 4% after increase in tax base.
- Formula Grant for policing increases by 3.4% in 2006-07 and 3.7% in 2007-08 – but leaves a shortfall of £250m on Association of Police Authorities case for 6% increase, based upon detailed analysis of service requirements.
- Government target is low increases in Council tax averaging less than 5%.
- This year the average national average increase was 4.1% (Cumbria 4.3%)- lower than the figure of 5.9% for 2004-05 and less than one third of the average increase of 12.9% which prevailed in 2003-04. So we have seen quite a reduction in the average scale of tax increase with this year's average increase of 4.1% being lowest over past 10 years.
- Government is again prepared to use capping powers in 2006-07 to intervene and so restrict authority expenditure and tax increases to “reasonable “ levels.
- 9 Local Authorities singled out this year for capping of 2005-06 budget – and 9 from 2004-05, including Cumbria Police Authority were set a lower budget and Council Tax target for 2005-06.

2. Cumbria Police Authority

- Potential ‘Continuation Budget’ is an ‘adjusted’ increase of £4.1m (4.7%) to £90.8m (including the repayment of £500k of grant for earlier years where the Government has now amended our entitlement) and compares to grant increase of £2.1m (3.2%). This gap of £2m would require a Band ‘B’ tax increase of £7.70 (6.4%) (14p per week). Would likely lead to being ‘capped’.
- Impact on service if tax increase restricted - means making savings of £0.4m at 5% tax increase and making savings of £0.9m at 3% tax increase.
- In both cases further savings of the order of £300k are likely to be required to fund inescapable pressures in responding to Home Office mandatory initiatives.

3. Council Tax Payers

- Impact of local council tax increases – Police Authority approximately 12% of local tax.
- Current **band ‘B’** Council Tax Levels **Eden District**

	Annual	£.p Weekly
County	£755 pa	14.52
District *	£109 pa	2.10
Police	£121 pa	2.32 (12.2% of total tax)
Total Band B	£985 pa	18.94 per week

*Plus Parish Precepts

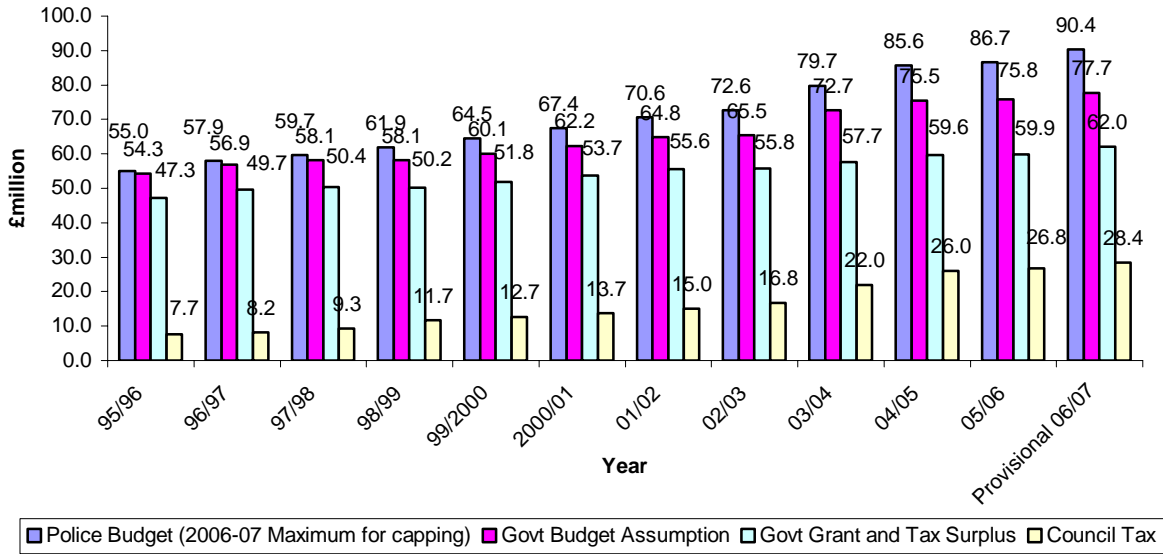
	Annual	Weekly	3% increase	5% increase
Police band D	£155	£2.99	£3.08 (+9p)	£3.14 (+15p)
Police band B	£121	£2.32	£2.39 (+7p)	£2.44 (+12p)

Questions for Audience

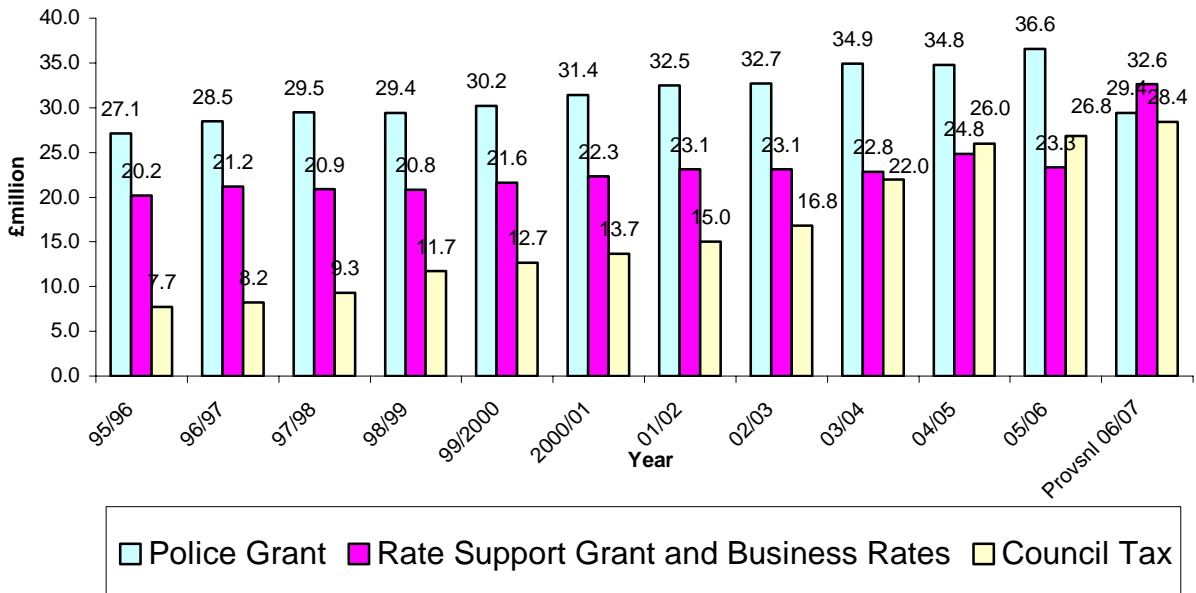
- Public impression of Value for Money and support for their local police service?
- Would Tax payers support an increase at the upper end of the restricted range ie approximately 12p per week (band B 5%) as opposed to 7p at the lower end of the range (band B 3%)

Cumbria Police Authority 1995-96 to 2005-06

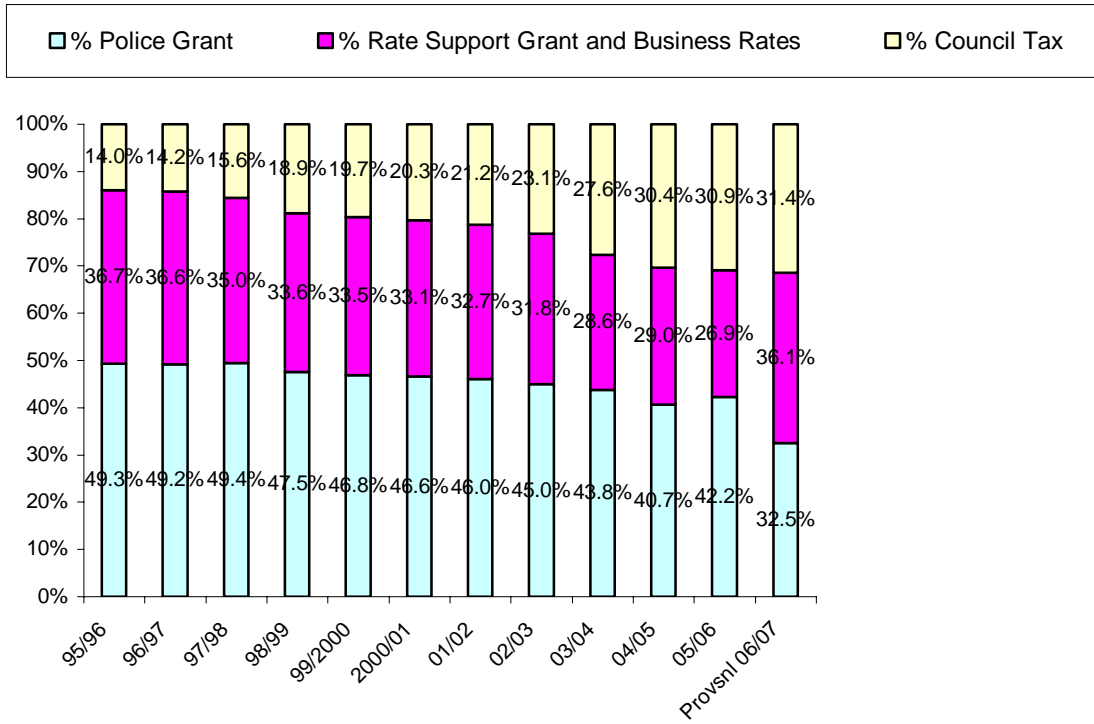
**Police Authority Budget ; Govt Spending Assumptions and Grant Funding
1995-96 - 2005-06**



Funding Actual Budgets 1995-96 to 2005-06



Sharing the Cost of Policing 1995-96 to 2005-06



Weekly Band B Council Tax for Policing 1995-96 to 2005-06

