

A Report by the Treasurer and the Chief Constable

Provisional Local Government Financial Settlement and Police Grant Report 2007 – 08

1. Introduction

- 1.1 The Minister for Local Government (Philip Woolas) presented the Government's Provisional Local Government Financial Settlement for 2007-08 to parliament on 28 November, a week earlier than the two-year provisional settlements announced in 2005. At the same time, the Minister of State for Policing, Security and Community Safety (Tony McNulty) announced the Police Grant Settlement for 2007-08. A copy of Mr McNulty's Statement is attached in the Appendices.
- 1.2 The decision in December 2005 to present Settlements covering two years to the end of the period covered by the 2004 Comprehensive Spending Review, reflected Government proposals, published earlier in 2005, and widely supported by Local Government. The Government intends that future Settlements, beginning with those for 2008-09 to 2010-11, will be aligned to the three-year periods covered by the Government's Public Spending Reviews. But there is (presently) still a legal requirement to present the *individual* year proposals to parliament as a draft or provisional settlement for that year (in this case for 2007-08), but the reality is that the figures are very substantially those published in January 2006 as an adjunct to the final settlement for 2006-07.
- 1.3 There is a period of statutory consultation with Local Authorities and their Associations, ending on 05 January 2007 in respect of the Provisional Settlement for 2007-08. As in recent years Ministers are no longer prepared to receive delegations, and it is therefore only possible to make written representation, both directly to the Minister, and (in our case) through the APA. It is also important to keep Cumbria's MP's fully briefed.
- 1.4 For Cumbria Police Authority, the police grant and revenue support in 2007-08 is increased from £61.766m to £63,989m, an increase of £2,223m (3.6%) compared to an increase of £2.083m (3.5%) this year -but this year's grant increase diluted to 3.1% when account is taken of the amending grant repayments totalling £461,000. There are no amending grant repayments in 2007-08, and in consequence the grant increase is worth £2.684m, or 4.4%. Both levels of grant benefit substantially from the 'floor damping' mechanism. This will protect against major grant losses following the introduction in 2006-07 of the new formulae for determining 'spending need' and for distributing grant. The protection in 2007-08 will be £11.8m compared to an adjusted £10.9m this year.
- 1.5 Within the special and specific grants, as in recent years, indexation has been withdrawn other than for the Neighbour Policing Fund. Total grant under these initiatives will total £7.1m compared to £6.5m in the current year.

1.6 Excluding 'ad hoc' grants, capital grant will reduce from £0.935m in the current year to £0.743m in 2007-08 together with a same again supported borrowing allocation of £0.621m. These figures too are as published in January 2006.

2. Recommendation

2.1 Members are recommended to:

- (i) receive and note the contents of the report and the impact of the Provisional Settlement for 2007–08 on the budget for Cumbria Police Authority.
- (ii) note that there are no Amending Reports for 2006-07 or earlier years.
- (iii) consider any advice to be given to the Constabulary in framing its final budget proposals.
- (iv) consider representations to the Minister as part of the consultation process in respect of the Provisional Settlement for 2007-08, or delegate any representation to the Treasurer and the Chief Constable in consultation with the Chairman, if it is not possible to provide a draft to the meeting.

Douglas Thomas

Treasurer

12 December 2006

Background papers are attached as Appendices to this report

1. Provisional Grant Settlement for Cumbria Police Authority 2007-08
2. Illustrations of budget capacity, savings requirements and Council tax levels for 2007-08
3. Graph and table showing impact of Floor damping for Police Authorities 2007-08
4. A summary of the New Formula Grant Distribution System introduced in 2006-07 (The Four-Block Model)
5. Ministerial Statement by Tony McNulty on presenting the Police Grant Settlement to Parliament.
6. News Release issued by APA in response to Provisional settlement
7. Revised Base Budget Requirement for Cumbria - 2006-07 and 2007-08

3. Provisional Local Government Financial Settlement and Police Grant Settlement for 2007-08.

- 3.1 Much of the anticipation (and excitement!) which attaches to the annual announcement of the Provisional Settlement was absent from the 2007-08 announcement. This was because in announcing the 2006-07 Settlement last year, the government also announced the draft Provisional Settlement for 2007-08. But it may have come as a surprise to some that there are virtually no changes from the figures announced in last year's statement. There had always been some doubt as to whether Ministers would amend or substitute their forecasts made in 2005-06 on which the 2007-08 Settlement is based. On the other hand there is a case to be made that this absence of change should be welcomed, since it sends a very powerful message to all sectors of local government that the multi-year financial settlements adopted by government and now to be aligned to their own three-year planning periods, can be relied upon as a robust financial planning tool. On the other hand it may raise the fear of more traumatic changes in grant entitlement at the start of each new three-year grant period, the next being for 2008-09 to 2010-11. But this fear can be largely dismissed - the government has given a commitment to parliament that the 'floor grant protection mechanism' is to be a permanent and embedded feature of the grant system and not a transitional one. For the Police service this has certainly proved to be the case with flat-rate protection increases in each of the last 3 years at very close to the headline Police Grant settlement rates. It is also pleasing, that for the first time in a number of years no Amending Reports have been announced, either for 2006-07 or for earlier years.
- 3.2 The restatement of the largely unchanged 2007-08 figures originally announced along with the 2006-07 Police Grant Settlement, has brought an added benefit in enabling the Home Office to simultaneously announce the allocation of specific and special grants and the amount of capital grant for individual authorities. In recent years these significant details have not become available until late December and on occasion mid-January. Thus the Authority now has information on every aspect of its financial resources for 2007-08 with the exception of dedicated security grant. The Chancellor in his pre-budget announcement of 06 December has signalled a further £84m for counter-terrorism and intelligence, the majority of which is expected to go to the Central and Regional Agencies involved in this area of policing.
- 3.3 Three major changes in the spending and grant allocations were announced as part of this year's (2006-07) Settlement and are now embedded as part of the 2007-08 Settlement :-
- The transfer of £37.3bn of expenditure direct to schools rather than to Local Education Authorities (thus at a stroke halving the financial measure of local authority services)
 - The adoption of new formulae for determining all service spending needs for individual authorities
 - The abandonment of the former resource equalisation formula which had been in place for decades, and its replacement by a new model which distributes grant support in four separate blocks using newly developed formulae

3.4 For the Police Service component of the Settlement there are no changes which require adjustment to national and local grant and budget spending figures for 2006-07 in order to allow valid comparison to be made against 2007-08. However at a local level the provision for repayment of grant in 2006-07 arising from Amending Reports (for 2004-05 and 2005-06) will be discounted so as to allow comparison of the budget impact on a like for like basis.

3.5 Members may find it helpful to be reminded of the changes which took effect in 2006-07 in the funding of policing services.:-

- A new system of funding police pensions took effect from 01 April 2006. This removed the cost of pensions from the revenue budget to a new statutory pension fund. This new fund will meet the cost of pensions, and receive the contributions to be made by employers and employees, together with any transfer payments. Any deficit in the year of account will be met by Home Office specific grant and any surplus repaid to the Home Office. To meet this specific grant, £313m was top sliced from formula grant in 2006-07 and £328m has been similarly treated in 2007-08. This arrangement was welcomed by all Police Authorities and has removed a major area of volatility from Authorities' budgets for the future.
- From 2006-07 Security expenditure is being met by specific grant rather than through the formula grant.
- There were changes arising from the Schools transfer in 2006-07 which affected the grant treatment of past capital expenditure and interest receipts and has impacted on all local authorities.

3.6 For Cumbria Police Authority, the grant awarded and budget approved for 2005-06 were each reduced by a combined figure of £2.419m to reflect the estimated impact of those changes and allow like for like comparison with 2006-07 and 2007-08. The impact which these changes initially had on 2006-07 grant and budgets was based on the estimated position which can now be replaced by the formal out-turn and reporting for 2005-06. There remains the possibility that corrective changes could be incorporated into the opening year of the next multi-year settlement round in 2008-09, although it is unclear whether the grant floor mechanism would offer full protection against any losses as a result. For Cumbria, this exposure is of the order of £1.0m.

3.7 Floors and Ceilings

Grant floors have been a feature of recent Settlements and are self funded within the grant formula arrangements for each class of authority. Floors are intended to ensure that individual authorities receive a minimum increase in grant entitlement in contrast to what an authority would have been entitled to under the formula distribution method. The cost of providing the grant floor is funded by authorities within each class who gain from the new formulae. These Authorities have their excess grant above the floor, scaled back to pay for the cost of the additional grant to those benefiting from the grant floor. Within the class of 38 (English) Police Authorities, 21 are protected by the grant floor to a collective total of £130m. This is funded by the other 17 Authorities losing 98% of the grant increase which they were entitled to under the formula above the floor of 3.6%.

3.8 The effect of this is that no Police Authority receives less than a 3.6% grant increase or more than 3.8%. For 2007-08 the floor guarantees a minimum grant increase of 2.7% for all other classes of Authority. Members will see that Police Authorities have, as in the current year, again received the greatest measure of protection. Finally the grant floor for Police Authorities in 2007-08 has been calculated on a 2006-07 grant base which **also** compensated for losses caused as a result of the retrospective amendments of the 2004-05 and 2005-06 Settlements. Since there are no such Amending Reports in 2007-08, the increase for Cumbria is actually worth 4.3% on a like for like basis.

3.9 Ring Fencing

For 2007-08 Specific and Special grants total £44,101m compared to an adjusted figure of £41,842m for 2006-07. But £28,119m of this sum represents the new Dedicated Schools Grant previously paid direct to LEA's in the period to 2005-06. Excluding Police (formula) Grant, and Education Grants, and other special grants which are no longer ring fenced, the balance of ring fenced grants total £3,766m in 2007-08.

3.10 Capping.

Against a background of growing public reaction to high levels of council tax increases in 2003 – 04 and government called for restraint in 2004 – 05, 14 local authorities, including 3 Police Authorities, had their budgets “called in” by Ministers to explain their budget decisions. Of these, 5 Local Authorities and 1 Fire Authority were capped for 2004 – 05, whilst 5 Local Authorities and 3 Police Authorities, (including Cumbria Police Authority) were judged to have set excessive budgets for 2004 – 05 and had a budget amount “nominated” by the First Secretary of State for 2005-06. In 2005-06 nine local authorities had their budgets called in and all were capped. In 2006-07 no local authority was capped, but two authorities, York City Council and Medway Borough Council each had their earlier capping designation cancelled and substituted by a nominated budget as the basis for 2007-08. The Minister's statement to Parliament makes clear the Government intention to continue in its reserve use of capping powers should this be necessary to achieve levels of tax increase below 5% which it believes this Settlement will support.

3.11 In presenting the Provisional Settlement to parliament, the Minister for Local Government included the following points in his Statement:-

Budgets and Council tax

15. We have provided a stable and predictable funding basis for local services. We expect local Government to respond positively as far as council tax is concerned.

16. Therefore we expect to see an average council tax increase in England in 2007/08 of less than 5%. We will not allow excessive council tax increases.

We have used our reserve capping powers in previous years to deal with excessive increases and won't hesitate to do so again if that proves necessary.

4 Police Service – National Level

4.1 The funding of the Home Office formula driven components of Police Authority expenditure in 2007 – 08 compared to the current year and 2005-06, as reported by the Police Minister in his Statement to Parliament are as follows:

Table 1: Police funding settlements for 2006/07 and 2007/08 compared with 2005/06

	2005/06 £m	2006/07 £m	2007/08 £m	Year on year increase	
				2006/07 %	2007/08 %
1. Direct funding for police authorities:					
Home Office Police Grant	4,574	4,714	4,831	3.1	2.5
Transfers for Pensions & Dedicated Security Posts (DSPs) ⁽¹⁾	-498	-576	-591		
RSG/NNDR	3,044	3,229	3,397	6.1	5.2
Total General Formula Grant	7,120	7,367	7,637	3.4	3.7
Specific Grants for police authorities	559	588	840	5.2	42.9
Special Formula Grant ⁽²⁾	193	193	193	0.0	0.0
Transfers for Pensions & DSPs	498	576	591	15.7	2.6
Total Specific Grants etc	1,250	1,357	1,624	8.6	19.7
2. Capital Grants & Support	362	413	370	14.1	-10.4
3. Central Spending	1333	1433	1416	7.5	-1.2
Grand Total	10,065	10,570	11,047	5.0%	4.5%

¹⁾ The transfer from general grant for police pensions and dedicated security are noted below

²⁾ Details are set out later in the statement

5 Settlement for Cumbria Police Authority

5.1 Members will recall from the papers presented before last year's Settlement, that the Government adopted radically new criteria as the basis for determining spending requirements and then for distributing grant support. As forecast during the consultation stage, each of the options considered had a major unacceptable effect on Cumbria Police Authority. The option selected by government resulted in a loss of £11.4m in formula spending and grant, on which Cumbria Police Authority made comprehensive representations to Government. This initial formula grant loss has increased to £11.8m in the Provisional Settlement for

2007-08. In both years the impact of such a grant loss has been almost fully redeemed by the operation of the grant floor protection guarantee. This ensured that all Police Authorities received a grant increase of 3.1% in the current year and will receive an uplift of 3.6% in 2007-08 compared to the headline uplift of 3.7% for the Police service as a whole.

5.2A graph is included in the Appendices to show the impact of sustaining the grant floor for Police Authorities, compared to implementing the gains and losses thrown up by the new formulae adopted in this Settlement. On the face of it, given the scale of losses and the absence of 'new money' in the settlement period, or in the foreseeable future, it is hard to see how the new distribution (or any future changes) can ever be effectively applied to the service.

5.3 Cumbria's grant position in 2007-08, compared to 2006-07 and 2005-06 will be as follows:

Principal Expenditure Related Grants	2005-06 Actual £,000	2006-07 Actual £,000	2007-08 Provisional £,000
Police Formula Grant (adjusted)	*34,151	29,461	30,068
Formula Spending Grant	24,471		
Relative Needs Amount		5,829	6,048
Relative Resources Amount		-2,710	-2,820
Central Allocation Grant		17,865	18,912
Floor Damping Grant	1,060	11,320	11,781
Total Expenditure Related Grant	59,682	61,766	63,989
Adjustments			
Prior year repayments - Amending Reports	-219	-461	0
Net Grant for year of account	59,463	61,305	63,989
Increase over previous year After adjustment for grant repayments for Amending Reports		1,842 (3.1%)	2,684 (4.4%)
Increase before adjustment for Amending Reports		2,084 (3.5%)	2,223 (3.6%)
Equivalent Service Related Expenditure Assessment for Grant Purposes:			
Before Grant Protection	75,940	68,400	70,700
After Grant Protection	77,000	79,700	82,500
Budget Requirement (including Amending Grant Repaid)	89,115	90,328	*93,000 (*estimated base)
Excess spending over grant supported budget:			
Before protection	13,175	21,928	22,100
After protection	12,115	10,628	10,300

5.4 Notification has also been received of the amount of Specific and Special Grants to be paid to the Police Authority in 2007-08, as shown below. Once again, other than for the Neighbourhood fund used to fund the Home Office contribution to the roll out of PCSOs, no provision for inflation has been allowed against any other provision, and when combined with the main formula grant, has the effect of reducing the overall increase closer to 3% than 3.6%. The Minister has again awarded the special grants under 'Rule 2' so that their spending is no longer limited to the purpose for which originally awarded, although the Minister expects that Authorities will again continue to honour existing and previous commitments. The Minister has also indicated an intention to discuss with ACPO, some relaxation to the rules attaching to the Crime Fighting Fund. Cumbria's entitlement in 2007-08 will be as follows:-

	2005-06	2006-07	2007-08
	£m	Actual £m	--Provisional- £m
Specific Grants			
Crime Fighting Fund	2.10	2.10	2.10
BCU Fund	0.31	0.31	0.31
Neighbourhood Fund	0.29	1.46	2.09
Community Support Rounds 1-3	<u>0.00</u>	<u>0.08</u>	<u>0.08</u>
Sub-total	<u>2.70</u>	<u>3.95</u>	<u>4.58</u>
Special Grants (Rule 2)			
Special Priority Payments	0.69	{	
DNA Forensics	0.49	{2.51	2.51
Rural Policing	1.34	{	
Airwave Revenue Grant	0.43		
Sub-total	<u>2.95</u>	<u>2.51</u>	<u>2.51</u>
Total Specific & Special Grants	<u>£5.80m</u>	<u>£6.46m</u>	<u>£7.09m</u>

Allocations in respect of Dedicated Security Posts will be notified early in 2007.

5.5 On capital funding and capital grant, some discussion is to take place as to whether some of the £75m capital grant previously earmarked to support the intended merger process in 2007-08 but no longer required for that purpose, should be returned to the service. In the meantime the provisions are in the same amounts as those previously announced for 2007-08 in last year's Statement as follows:-

	2005-06	2006-07	2007-08
	£m	Actual £m	--Provisional- £m
Capital Grant	1.051	0.935	0.743
Supported Capital Borrowing	<u>0.621</u>	<u>0.621</u>	<u>0.621</u>
Total supported capital expenditure	1.672	1.556	1.364

6 Budget Projections revised 2006 – 07 and draft forecast 2007-08

6.1 Budget reports in September (and also immediately preceding this item on the agenda) have kept members informed on spending in 2006-07 whilst the Medium Term Financial Forecast presented in September provided a forecast of budget requirements and projected income for the period ending 2010-11. The budget figures used in illustrating this report are based on the latest revisions to the current budget for 2006-07 and the draft base-line estimates of £92.8m for 2007-08. The Chief Constable has not been able to present the estimates to this meeting because of the delays to the process of identifying savings as a consequence of the merger process, whilst the budget itself needs to reflect the Chief Constable's response to the need for improvements in protective services which are still being developed and costed. It is intended that a full set of budget papers, including the capital plans will be presented to the Authority at its meeting on 17 January.

6.2 The revised budget spending for 2006-07 reported earlier on this agenda, suggests an out-turn of £87.948m compared to the approved budget of £90.328m – an estimated saving of £2.380m. Subject to confirmation of spending levels being maintained at this revised level, the budget report to the Authority meeting on 14 February will recommend a substantial additional revenue contribution to capital reserves as the most pressing area in need of additional funding.

6.3 The projections illustrated in Appendix 2 suggest a budget requirement for Council tax purposes of £93.000m on a continuation of service basis including committed growth and a £180,000 contribution to balances to secure and maintain a 5% overall level of free balance provision. This represents a budget increase of £2.672m (3%) over the budget requirement of £90.328m set for the current year, although this latter figure included a contribution of £546,000 to balances and repayment of Amending Grant totalling £461,000.

6.4 These projections do not yet reflect any revenue initiatives which the Constabulary have identified or may bring forward for consideration as part of the budget, or the revenue cost (net of capital grant) of funding any new capital projects which might be approved to commence in 2007-08. Nor do they reflect the value of savings to be identified to the Authority by the Constabulary arising out of the efficiency reviews undertaken in anticipation of the difficult Settlement forecast earlier in the year, and the requirements of the Gershon Efficiency Review, which requires 3% savings, of which half must be 'cashable'.

6.5 However, under Home Office criteria, cashable savings do not equate to budget savings and so we have introduced a third category of efficiencies - 'budget savings'. One consequence of the Settlements for 2007-08 and the next three years is that efficiency savings will almost entirely, if not all, be applied to holding Council tax down to below capping levels with only limited growth reflecting the most inescapable of commitments.

6.6 As if to reinforce this point, the Chancellor in his Pre-Budget Statement of 5 December: (para 6.26) stated:-

*“.....this Pre-Budget Report can confirm that the baseline savings ambition for the 2007 CSR period will be **at least 3%** per year across central and local government. Furthermore, the focus of the CSR07 value for money programme will be on delivering net cashable savings which will free up resources to meet new challenges”.*

7. Impact on Council Tax 2007-08

7.1 Appendix 2 also illustrates the amount of Band D council tax required to support a small range of spending positions, based upon the Provisional Settlement for 2007-08 and a range of Council tax increases constrained between 3% and 4.9%.

7.2 These illustrations take as a starting point a continuation of the current level of service at an adjusted cost of £93.000m, for 2007-08 as described in section 6.

7.3 The figures show that a continuation of baseline budget at £93.0m is an increase of £2.672m, or just 3% over the budget for 2006-07. This would generate an increase in Band D council tax of £2.02 (1.2%) over the £163.08p for 2006-07, and would not exceed the “below 5%” requirement of the Minister as set out in the Settlement. Members are reminded that within Cumbria, the most typical property valuation is closer to Band B than D, at which level the cost to tax payers is 7/9 of the Band D level, and which are shown in Appendix 2. Increases of between 3% and 4.9% would support additional spending of between £500,000 to £1,040,000.

7.4 It has been assumed that the Police Authority share of the surplus of council tax collected by the Billing Authorities in the current year will be of the order of £200,000, compared to £248,000 declared for 2006-07, but which included a substantial recovery element for Carlisle after the storms of January 2005.

7.5 In accordance with the criteria for sustainable balances and reserves, the Authority will be unable to make a contribution from balances. This is because as expenditure increases, so the pressure to maintain balances at about 5% of expenditure also increases and becomes more difficult to sustain. In 2007-08 a modest amount of £180,000 (compared to £546,000 in the current year) will need to be raised from council tax for balances in order that they can be held at (5%) levels to provide a more robust defence against the scope for unexpected events.

7.6 The local tax base for 2007-08 has been assumed to increase by a similar increment originally advised for 2006-07, including a possible further recovery in the depleted tax base announced for Carlisle following the storms of January 2005. Substantive local figures will not be announced until early January.

8. Conclusions

8.1 The Provisional Settlement proposed by the Minister is at the upper range forecast in the MTF and better than had been feared, due to having suffered no mid-term correction to 2006-07 grant data. But over the outlook period to 2010-11 grant settlements for the policing services are forecast at between 2% and 2.5% for

Cumbria and 2.7% for the service as a whole. This will not be sufficient to avoid the serious and challenging decisions forecast in the MTFE tabled in September.

8.2 A copy of the Minister's Statement is attached as Appendix 5. The grant increase of 3.6% compares to the APA representations demonstrating a need for between 5% and 6% to sustain current commitments and developments. A copy of the APA press release is attached at Appendix 6.

8.3 It has become very clear that one of the imperatives of government is to protect tax-payers from excessive increases. But until the Government considers the outcome of the Lyons Review (now postponed until March 2007) and legislates for a more robust and sustainable basis of funding local services, then for Police Authorities in general and for Cumbria in particular, the scope to enhance local policing objectives whilst continuing to deliver on national objectives, will be severely constrained. As many commentators observed last year, 2005-06 marked a turning point in the economic cycle, such that government has been required to make choices between tax increases and the future level of investment in public services. In spite of the major achievements of the past, the future affordability and enhancement of policing will depend on the further achievement of major cashable efficiencies.

8.4 In the evidence submitted to the government under the "Balance of Funding" Review, there was much comment that Council Tax in its present form lacks the elasticity required of a modern tax. The Government has effectively deferred announcing any decisions in response to the findings and postponed the revaluation of domestic property due to take effect from April 2007, pending the outcome of the further Lyons review, whose remit has been expanded from that originally set. The Lyons review will now report conclusively in March 2007. It would take several years to re-engineer Council tax or to introduce new tax arrangements to run as an alternative source of income or in parallel with and as a supplement to Council Tax, including the time to develop and approve the necessary primary legislation, and possibly a need to develop and introduce major new computer software systems. It would seem inconceivable that such a scale of review would be undertaken other than in tandem with any changes arising in the structure of Local Authorities in the review currently being undertaken by DC&LG.

8.5 In the meantime members will need to consider the issues outlined in this report and give a clear indication as to the likely shape of its expenditure plans, not just for 2007-08 but for at least the next two years to 2009-10, as required under the Prudential Code.

8.6 Contact will be maintained with the wider family of Police Authorities so that we can be better informed on the position of individual authorities and their possible intentions against the background of the proposed Settlement.

Douglas Thomas
Treasurer
12 December 2006

Michael Baxter
Chief Constable

Cumbria Police Authority

2007-08 Revised Provisional Grant Settlement compared to 2005-06 and 2006-07 Actual Grant Settlements

	Actual 2005-06 £,000	Actual 2006-07 £,000	Provisional 2007-08 £,000
Actual Grant Awarded	62,102	61,766	63,989
Adjustments Pensions and Security	-2,227		
Secondments	-193		
	<u>-2,420</u>		
Adjusted Grant Awarded	59,682	61,766	63,989
Grant Repayments Amending Reports	-219	-461	0
Adjusted Net Grant Position	<u>59,463</u>	<u>61,305</u>	<u>63,989</u>
Increase year on year		1,842	2,684
% increase year on year at net level		3.1%	4.4%
% increase year on year - before repayment of Amending Grant			3.6%
Base Budget	89,219	92,828	
2007-08 Indicative base continuation budget			92,820
Less Adjustments			
Expenditure per above	-2420	-2,500	
Grant repayment per above	<u>-219</u>	-461	
Adjusted Base Budget (2007-08 Indicative)	<u>86,580</u>	<u>89,867</u>	<u>92,820</u>
Year on Year increase		3,287	2,953
		3.8%	3.3%
Financed by			
Government Grant (net 2005-06 & 06-07)	59,463	61,305	63,989
Council tax surplus	223	248	200
Council tax income (2007-08 based on +3% CTax)	26,790	28,314	29,311
Contribution from (-to) balances required contribution to bring to 5% of budget.	104	-546	-180
Net Budget Capacity at 3% tax increase on 2006-07	86,580	89,867	93,320
Net Budget Capacity at 4.9% tax increase on 2006-07			93,860
Additional Capacity within 3% council tax increase			500
Additional Capacity within 5% council tax increase (before growth and savings)			1,040
Council tax levied	155.43	163.08	
Council Tax 3% increase on Actual 2006-07			167.97
Council Tax 4.9% increase on Actual 2006-07			171.07
Tax Base			
Actual Local 2005-06; 2006-07; Projected 07-08	172,355	173,617	174,500
Secretary of State Projections for Grant Purposes	172,065	172,955	173,690

		<u>2006-07</u>	<u>Cumbria Police Authority</u>		<u>2007-08</u>			
Local Council Tax Base		173,617.07			174,500.00	Appendix 2		
		£.p			£.p			
Standard Council Tax:- Police Authorities		105.32			106.57 approximately			
(For Cumbria Spending at Protected Service Level)								
			<u>Budget Illustrations</u>		<u>2007-08</u>			
			1	2	3	4	5	6
1 Budget basis	Actual		Continuation	Restricted	Restricted	Restricted	Restricted	Restricted
	2006-07		Budget	Tax increase	Tax increase	Tax increase	Tax increase	Tax increase
				3.0 %	3.5 %	4.0 %	4.5 %	4.9 %
2 2007-08 Budget Illustrations	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Continuation Budget	89,321	92,820	92,820	92,820	92,820	92,820	92,820	92,820
<i>Increase on (- Savings Required from) Continuation Budget</i>		500	642	785	927	1,041		
Grant Repayable re Amending Reports	461	0	0	0	0	0	0	0
Adjustments in system								
Contribution to (-From) Balances	546	180	180	180	180	180	180	180
Authority Budget for Council Tax	90,328	93,000	93,500	93,642	93,785	93,927	94,041	
3 Increase in net budget over 2006-07		2,672	3,172	3,314	3,457	3,599	3,713	
		(2.96%)	(3.51%)	(3.67%)	(3.83%)	(3.98%)	(4.11%)	
4 Financed by								
External Grant	61,766	63,989	63,989	63,989	63,989	63,989	63,989	63,989
Adjustments in System								
Council Tax Surplus	248	200	200	200	200	200	200	200
Council Tax Payers	28,314	28,811	29,311	29,453	29,596	29,738	29,852	
5 Extra call for Council Tax over 2006-07		497	997	1,140	1,282	1,424	1,538	
% increase		1.8%	3.5%	4.0%	4.5%	5.0%	5.4%	
	Actual							
	£.p	£.p	£.p	£.p	£.p	£.p	£.p	£.p
6 Band D Council Tax	163.08	165.10	167.97	168.78	169.60	170.41	171.07	
Increase in band D over <i>actual</i> for this year		2.02	4.89	5.70	6.52	7.33	7.99	
Increase in pence per week		3.9 p	9.4 p	11.0 p	12.5 p	14.1 p	15.4 p	
		1.2%	3.0%	3.5%	4.0%	4.5%	4.9%	
7 Band B Council Tax	126.84	128.41	130.64	131.27	131.91	132.54	133.05	
Increase in band B over <i>actual</i> for this year		£1.57	£3.80	£4.43	£5.07	£5.70	£6.21	
Increase in pence per week		3.0 p	7.3 p	8.5 p	9.7 p	11.0 p	11.9 p	
8 Gearing Effect								
% increase in spending over current budget		3.0%	3.5%	3.7%	3.8%	4.0%	4.1%	
% increase in Council tax income over current year		1.8%	3.5%	4.0%	4.5%	5.0%	5.4%	
% increase in Band 'D' Council tax over current year		1.2%	3.0%	3.5%	4.0%	4.5%	4.9%	



Local Government Finance

Methodology for Floor Damping in the 2007/08 Local Government Finance Settlement

Introduction

1. This paper sets out the methodology and financing for the floor damping schemes in the 2007/08 Local Government Finance Settlement.

The scheme for Police Authorities

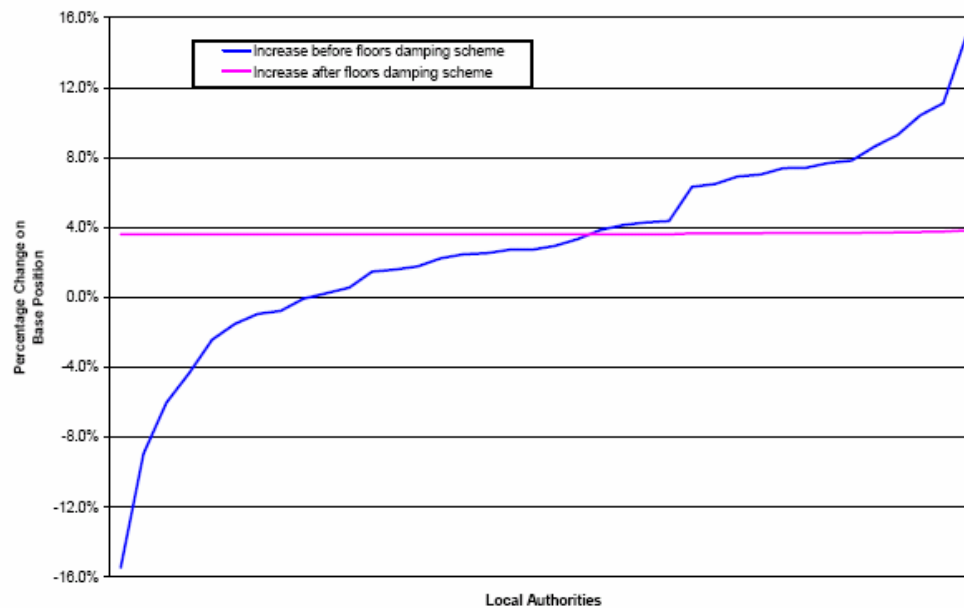
13. The floor level for police authorities has been set at 3.60% for 2007/08. This means that all police authorities are receiving approximately the average increase.
14. The reduction in grant for authorities above the floor is calculated by applying a constant re-scaling factor to each authority's increase in grant above the floor level (not their total grant increase). This re-scaling factor is approximately 0.021 for police authorities in 2007/08.
15. The re-scaling factor is calculated so that when it is applied to all authorities within the group, the saving exactly offsets the net cost of the floor. The fact that the scaling factor is only applied to increases above the floor level means that no authority can move from the 'scaled' group to the floor.
16. The following table provides a summary of the floor damping system for police authorities.

Type of Authority	Level	Cost (£ million)	Number of authorities
Floor	3.60%	129.779	21
Scaled	-97.92%	-129.779	17

17. Annex B is a visual interpretation of how this system works. As can be seen, the net cost of the floor is met by the reduction for the scaled authorities. This is demonstrated by the vertical gap between the scaled authorities grant increases before and after the application of the floors damping scheme.

Annex B

2007/08 Floor Damping Scheme for Police Authorities:
3.6% floor



The Formula Grant Distribution System (The Four-Block Model)

This paper is issued as a reminder for members and supplements the Simple Guide to the Local Government Finance Settlement, giving some more detail about how the new Formula Grant Distribution System introduced in 2006-07 will work.

Much of the basis for grant distribution remains similar to the previous FSS system. For example, a large slice of the money is still being distributed according to authorities' relative needs; the system still equalises for authorities' potential local income; and the system still retains a mechanism for protecting local authorities from detrimental changes to their grant allocation (the floor damping system).

Government decided for 2006-07 to move away from the notional spending and tax elements of the previous grant distribution system which (they claim) had been subject to misinterpretation. Therefore, it was decided to move to a new system based on cash amounts of grant.

The new system was referred to during its development as the 'four block' model because it is built upon four main elements as set out below.

i) Relative Needs Block

This block is based on formulae, the Relative Needs Formulae (RNFs) which are similar in structure to the previous Formula Spending Shares. The Relative Needs Formulae themselves are split into seven different blocks, covering the seven main service areas provided by local authorities (Children's Services; Adults' Personal Social Services; Police; Fire and Rescue; Highways Maintenance; Environmental, Protective and Cultural Services (EPCS); and Capital Financing).

Relative Needs Formulae are designed to reflect the relative needs of individual authorities in providing services. They are not intended to measure the actual amount needed by any authority to provide local services, but to simply recognise the various factors which affect local authorities' costs locally.

The formula for each specific service area is built on a basic amount per client, plus additional top ups to reflect local circumstances. The top ups take account of a number of local factors which affect service costs, but the biggest factors are deprivation and area costs.

Because the RNFs are only intended to reflect the relative differences in the cost of providing services in different areas, they are expressed as a proportion - or ratio - of the total RNF. They do not relate to the actual monetary amount of grant that a council needs for providing services for its residents. The amount of grant a council will receive from Government depends also on the results of the other three blocks detailed below.

Once each RNF has been calculated for all authorities, the next step is to use this to generate cash amounts that are related to need.. To do this fairly, Government has to group the individual service formulae into groups so that councils are only being compared to authorities providing the same range of services.

The RNFs are added together to give a total RNF for each group. The total RNF for each group is then divided by the total population for that group of councils as measured by the mid year population projections. The minimum RNF per head across all councils providing the group of services is then subtracted from the RNF per head for each council. The sum of the RNFs above the minimum for each council is then calculated and this is then multiplied by the

mid-year projected population. The control total for the Relative Needs Block is then distributed in proportion to this.

ii) Relative Resource Amount

The Relative Resource Amount is a negative figure. It takes account of the fact that areas that can raise more income locally require less support from Government to provide services. The negative Relative Resource Amount is balanced against the positive proportion calculated for each authority by the Relative Needs Amount.

This block recognises the differences in the amount of local income which individual councils have the potential to raise. This is done by looking at authorities' council taxbase data (a measure of the number of properties equivalent to Band D for council tax in an area).

The taxbase data are used to establish a minimum potential level of local income. Negative Relative Resource Amounts are then generated above the minimum, relative to council tax base per head. Again, to do this fairly, the Relative Resource Amount is applied to separate groups of authorities depending on the services they provide.

iii) Central Allocation

Once we have taken account of the Relative Needs and Relative Resources of local authorities, there is still an amount of money left in the overall grant pot for distribution to local authorities.

The Government shares this out on a per head basis; the per head amounts are based on the appropriate minimums for each authority already calculated for the needs and resources blocks.

iv) Floor Damping Block

The mechanism for damping grant changes remains the same as in the previous grant distribution system.

Following the calculations in the three blocks described above, each authority will have a grant amount allocated to it. However, Government intends to ensure that individual local authorities receive a reasonable grant increase year-on-year.

In order that authorities are protected from detrimental grant changes, the Government sets a guaranteed minimum increase in grant, compared to the previous year on a like-for-like basis. This is known as the grant 'floor', and is calculated separately for different groups of authorities, again depending on the services they provide.

As all the Formula Grant to be paid to local authorities must come from within the finite overall pot, the cost of providing the guaranteed floor must also be met from this pot. In order to do this grant increases above the floor are scaled back. The amount of grant scaled back is then used to pay for the floor guarantee.

Grant Allocation

The actual amount of Grant which an authority receives is calculated using the four blocks detailed above. Full details of how the calculations work are set out in the Local Government Finance Report which is approved by Parliament each year.

MINISTERIAL STATEMENT ON PROVISIONAL POLICE FUNDING ANNOUNCEMENT 28th NOVEMBER 2006

Allocations of grant for police authorities in England and Wales for 2007/08

TONY MCNULTY

I have today placed in the Library a copy of my Rt Hon Friend, the Home Secretary's, proposals for allocation of police grant for England and Wales in 2007/08. My Rt Hon Friend and I intend to implement the proposals subject to consideration of any representations and to the approval of the House.

The Government announced last year provisional funding totals for both 2006/07 and 2007/08. The introduction of multi-year settlements for the first time was widely welcomed by police authorities as a means of providing greater certainty and improving medium term planning. We intend to implement the settlement for 2007/08 broadly unchanged from last year's announcement. It is our intention to move to three year settlements with effect from 2008/09 which will allow authorities to plan more confidently.

The settlement for 2007/08 continues to build on unprecedented levels of investment into the Police Service in England and Wales. On a like for like basis Government grant and central spending on services for the police will have increased by over 62.0% or over £4.2 billion between 2000/01 and 2007/08. Our investment in recent years has helped to expand local policing, reduce crime and help to make our communities safer. Since peaking in 1995 British Crime Survey (BCS) crime has fallen 44 per cent., representing 8.4 million fewer crimes, with domestic burglary and vehicle crime falling by over a half and violent crime falling by 43 per cent. The risk of becoming a victim of crime remains at its lowest level recorded since the BCS began in 1981. The Government continues to work with the police service to ensure that they have the right tools to tackle crime without being burdened by any unnecessary rules and paperwork.

Our ambitious police reform programme continues to produce real improvements but there is still more to do. We will be publishing a vision for policing and a reform roadmap by the end of the year, following consultation with policing partners. A clear workforce strategy will ensure that the Police Service is well-led, skilled, motivated and representative of the communities it serves; this is also linked to initiatives to enhance performance and improve efficiency and effectiveness from available resources. To improve the capability and capacity for protective services, forces are working regionally and individually to develop new initiatives in collaboration, shared services and other efficiencies.

The police grant settlement 2007/08

Total provision for policing grants and central spending in 2007/08 will be £11,043m, an overall increase of 3.1%. This includes a broadly flat rate increase of 3.6% in general grant for all police authorities in England and Wales. All police authorities will have planned ahead on this basis. The increase is above inflation (forecast inflation is around 2.7%) and will enable police authorities to set reasonable final budgets and sustainable precept increases.

We propose to distribute the settlement as set out below. The table includes funding for both local and central spending.

Table 1: Police funding settlement for 2007/08 compared with 2006/07

	2006/07 £m	2007/08 £m	Change £m	Year on year increase %
Total General Formula Grant	7,372	7,638	266	3.6%
Specific Grants, Special formula grant and transfers for pensions & DSPs.	1,359	1,554	195	14.3%
One year uplift to accelerate expansion of PCSOs.	91	0	-91	-100.0%
Extra Provision for Counter Terrorism	93	145	52	55.9%
Total Specific Grants, Special formula grant and transfers¹	1,543	1,699	156	10.1%
Capital Grants & Support²	363	295	-68	-18.7%
Central Spending	1,433	1,411	-22	-1.5%
Grand Total	10,711	11,043	332	3.1%

¹ See table 3.

² At the time of the 2006/07 settlement announcement, capital provision included £50m in 2006/07 and £75m in 2007/08 to cover restructuring costs. This provision is being considered as part of the review of all Home Office capital budgets. The capital figures have therefore been reduced accordingly until a final decision has been made.

The variance of £68m between 2006/07 and 2007/08 reflects profiled planned expenditure (over the two years) on Command Control Communication Information (C3i) (-£20m: Home Office grant ends in 2006/07); Airwave resilience (-£23m); and the additional reduction in 2006/07 (-£25m for restructuring).

Police funding proposals within the Local Government finance system are being announced by my Hon Friend, the Member for Oldham East and Saddleworth, today, and by the Welsh Assembly Government.

Provisional general policing grants (i.e. Home Office Police Grant, Revenue Support Grant and National Non Domestic Rates) for English and Welsh police authorities in 2007/08 compared with 2006/07 are given in Table 2.

The settlement continues to take account of our commitment to improve efficiency and effectiveness in the police service. Authorities will be expected to deliver 1.5% cashable efficiency savings and 1.5% non-cashable savings in 2007/08. If Police Authorities deliver efficiency gains, and exercise judicious financial planning, there remains no reason for them to set excessive increases in police precepts on council tax next year. The Government's policy in relation to average council tax increases of less than 5% in England in 2007/08 has been clearly set out by

my Hon Friend, the Minister for Local Government. The Government is prepared to take capping action if necessary to deal with excessive increases.

Welsh police authorities

In line with previous years we have ensured that Welsh Police Authorities are treated in line with English Police Authorities with respect to the floor damping mechanism. My Rt Hon Friend, the Home Secretary has provided additional support of £12.9m in 2007/08 to ensure that Dyfed-Powys Police Authority, Gwent Police Authority and North Wales Police Authority receive at least a minimum increase in grant in line with English authorities. The shortfalls are further funded by scaling police grant to South Wales Police Authority which would otherwise have received a general grant increase of 5.7% but now receives the equivalent increases to a police authority in England.

Metropolitan Police funding

The settlement provides for the Metropolitan Police Authority to receive £192m in 2007/08 (+£5m over 2006/07) in general grant to reflect their unique national and international role as well as the functions that fall to them by virtue of London being a capital city.

Special formula grant

We made clear in 2006/07 that we wanted to give police authorities more control over specific grants and consolidated four specific grants totalling £193 million into a single pot for each authority. We continue to expect authorities to honour commitments and agreed policy initiatives. Totals for each Police Authority are set out in the Police Grant Report 2007/08.

Specific grants for police authorities

Police Authorities will continue to receive extra funding through a number of specific grants for particular schemes. Targeted grants were introduced as a direct response to what the police service and the public told us they wanted. Total provision for specific grants in 2007/08 is £1,699m (Table 3).

The main specific grants are:

- **Crime Fighting Fund**: £277m will again be made available to forces to continue to support the costs of officers recruited through the Crime Fighting Fund. In 2007/08, there will be additional flexibility for forces selected by ACPO to be demonstration sites for workforce modernisation in order to improve the delivery of services to the public.
- **Police Community Support Officers (PCSOs)**: For 2007/8 we will be providing £315m in total towards the cost of 16,000 PCSOs to have a dedicated neighbourhood policing team embedded into every area in England and Wales by 2008.
- **Basic Command Unit (BCU) Fund**: £50m will again be provided for BCUs. In England, BCU Commanders will again have discretion to pool their allocations locally in Local Area agreements where they exist or in the Safer and Stronger Communities Fund where they do not.
- **Initial Police Learning and Development Programme (IPLDP)**: We will provide the same level of funding for IPLDP in 2007/08.

Counter Terrorism funding

In January 2006 the Government announced a single consolidated Counter Terrorism Grant for the Police service, enabling it to increase its counter terrorism capability and improve effectiveness. In order to achieve this we pulled together resources from existing grants, including the provision for Dedicated Security Posts formerly in general grant. For 2006/07 this totalled more than £460m including an extra £63m for local and regional policing and £30m for the MPS. In 2007/08 we will be increasing this extra funding to £100m for local and regional policing and £45m for the MPS. To enhance further the counter terrorism capability of Police authorities, we have also made provision of £25m within the increase in general grant to Police authorities in 2007/08.

We have been working very closely with ACPO on this matter. We see an important role for ACPO in the management of this grant and for ensuring coherence, strategic direction and for the provision of a nationally co-ordinated response. We have worked closely with ACPO to ensure that both this uplift and funding from the new consolidated Counter Terrorism grant are used to create a significant increase in the strength of the police's counter-terrorism capability. Both we and ACPO are committed to ensuring that the Police Service both nationally and regionally has a robust, resilient and effective Counter Terrorist capability.

Central spending on policing

Provision is made for the costs of organisations supporting policing such as the National Policing Improvement Agency (NPIA) and the Serious Organised Crime Agency (SOCA) as well as scientific and technical support.

SOCA was successfully launched on 1 April 2006. It is a new type of law enforcement body with workforce strength of 4,200 staff and an initial budget of £415 million.

We intend to establish the NPIA on 1 April 2007. It will be a central resource to help police forces improve how they work, and will be committed to driving continuous improvement across policing as a whole in order to deliver better services to the public. It will be owned and led by the police and will introduce a radically different model of police service leadership, as well as producing greater efficiency, consistency and clarity of purpose in service delivery. The NPIA will replace the existing organisations of Centrex and the Police Information Technology Organisation (PITO). There will also be significant implications for the work of ACPO, the Home Office and the APA. Its budget will be announced by 31 January.

Conclusion

We have delivered another fair settlement for all police authorities in England and Wales which will enable them to provide an effective and efficient policing service. We will expect forces to deliver further sustained improvements in performance and continue to make further efficiency gains. We will work closely with the Police Service over the coming months and listen carefully to their concerns as we consider the distribution of resources for the coming three years (2008/09 to 2010/11). Decisions will be announced next year.

Table 2: Police grant allocations by English & Welsh police authority 2007/08

Police Authority	2006/07	2007/08	Change on 2006/07 Formula Allocation
	Formula Allocation ¹	Formula Allocation ¹	
	£m	£m	%
<i>English Shire forces</i>			
Avon & Somerset	161.8	167.9	3.8%
Bedfordshire	64.0	66.4	3.7%
Cambridgeshire	73.8	76.5	3.7%
Cheshire	110.8	114.8	3.6%
Cleveland	89.8	93.0	3.6%
Cumbria	61.8	64.0	3.6%
Derbyshire	102.0	105.8	3.7%
Devon & Cornwall	171.4	177.5	3.6%
Dorset	60.0	62.2	3.6%
Durham	84.0	87.0	3.6%
Essex	162.6	168.5	3.6%
Gloucestershire	54.5	56.5	3.6%
Hampshire	190.4	197.3	3.6%
Hertfordshire	110.4	114.4	3.7%
Humberside	117.8	122.0	3.6%
Kent	176.2	182.6	3.6%
Lancashire	187.0	193.7	3.6%
Leicestershire	107.5	111.5	3.7%
Lincolnshire	58.3	60.5	3.7%
Norfolk	80.5	83.4	3.6%
North Yorkshire	70.5	73.0	3.6%
Northamptonshire	69.2	71.7	3.6%
Nottinghamshire	127.8	132.5	3.7%
Staffordshire	110.3	114.3	3.6%
Suffolk	65.2	67.6	3.6%
Surrey	93.6	97.0	3.6%
Sussex	156.1	161.7	3.6%
Thames Valley	217.9	225.9	3.7%
Warwickshire	49.7	51.5	3.7%
West Mercia	112.0	116.0	3.6%
Wiltshire	59.9	62.0	3.6%
Shires Total	3356.6	3478.6	3.6%
<i>English Metropolitan forces</i>			
Greater Manchester	417.4	432.7	3.7%
Merseyside	245.0	253.8	3.6%
Northumbria	229.7	238.0	3.6%
South Yorkshire	187.5	194.3	3.6%
West Midlands	433.6	450.2	3.8%
West Yorkshire	306.2	317.6	3.7%
Mets Total	1819.4	1886.5	3.7%
<i>London forces</i>			
GLA – Police	1818.3	1883.7	3.6%
City of London ²	21.8	22.8	N/A
London Total	1840.1	1906.5	N/A
English Total	7016.1	7271.6	3.6%
<i>Welsh forces</i>			
Dyfed-Powys ³	50.0	51.8	3.6%
Gwent ³	75.9	78.7	3.6%
North Wales ³	73.7	76.3	3.6%
South Wales ³	166.1	172.2	3.6%
Welsh total	365.7	379.0	3.6%
TOTAL	7381.8	7650.6	3.6%

Notes

1. Rounded to the nearest £100,000. Grant as calculated under the Local Government Finance Report (England) and Local Government Finance (Police) Report (Wales). This includes the Metropolitan Police special payment, and the effects of floors.
2. Figures for the City of London relate to Home Office Grant only as calculated in the Police Grant Report (England and Wales). Revenue Support Grant is allocated to the Common Council of the City of London as a whole in respect of all its functions. The City is grouped with education authorities for the purposes of floors.
3. Welsh figures include Home Office floor funding (£12.9m). Grant provision under the principal formula for police authorities in Wales is varied to ensure that South Wales Police Authority will receive in principal formula and local authority general grants the same increase as that applicable to police authorities in England. A sum equal to the reduction for South Wales is allocated to Dyfed Powys, Gwent and North Wales Police Authorities.

Table 3: Specific grant allocations in 2007/08 compared with 2006/07

	2006/07	2007/08	2007/08
	£m	£m	Year on year increases %
Specific grants, special formula grant and transfers for pensions & DSPs⁽¹⁾			
Special Formula Grant	193	193	0.0%
Transfers for Pensions & DSPs	576	591	2.6%
Crime Fighting Fund	277	277	0.0%
Neighbourhood Policing Fund	88	270	206.8%
Extra Provision for faster expansion of PCSOs	91	0	-100.0%
Community Support Officers	44	45	2.3%
Counter Terrorism (Existing provision)	96	96	0.0%
Extra grant for Counter Terrorism	93	145	55.9%
Basic Command Units	50	50	0.0%
Initial Police Learning & Development Programme	18	18	0.0%
Welsh top-up grant	9.3	12.9	38.7%
Other	7.7	1.1	-17.6%
Grand Total	1543	1699	10.1%

Note:

⁽¹⁾ DSPs are Dedicated Security Posts



News Release

date: 28 November 2006
reference: 25-06

contact: Chris Cairns
telephone: 020 7664 3174
email: chris.cairns@lga.gov.uk

FOR IMMEDIATE RELEASE

POLICE FUNDING SETTLEMENT ANNOUNCEMENT

The Association of Police Authorities welcomed the Government's confirmation today (28/11/06) of a provisional funding settlement for 2007/8 of 3.6%.

Today's announcement means that no police authority will receive less than 3.6%.

Bob Jones, APA Chairman said: "The Government announced the expected figures last year, so today's announcement is not surprising. We are pleased that it is being honoured.

"The APA has been warning of a gap in police funding for some years and we expect the current gap to widen further. We are currently in discussion with Government to ensure that services to local communities are maintained and where possible strengthened.

"The flexibility introduced in the Neighbourhood Policing Fund yesterday is a small but welcome step in the right direction. We will be urging the Government to move further towards providing the local flexibilities that police authorities need in order to meet the individual needs of local communities."

ENDS

Notes to Editors

- For further information on the APA's views or interviews with APA spokespersons, please contact Chris Cairns, APA Communications Manager on 020 7664 3174 or mobile 07798 50 40 77.
- The Neighbourhood Policing Fund (NPF) was established to support an increase in PCSO numbers. It provides 75% of the funding for capped PCSO salary costs for most PCSOs, the remainder of which are funded through a variety of arrangements. Other salary and infrastructure costs are met by police authorities through a combination of partnership funding or their overall budget, particularly revenue from police council tax.
- The Association of Police Authorities (APA) represents all police authorities in England, Wales and Northern Ireland, as well as the British Transport Police Authority and the Civil Nuclear Police Authority.
- Local police authorities, along with the Home Secretary and chief officers of police, make up the tripartite relationship which is responsible for the governance of policing in England and Wales.

- Police authorities who hold the police to account on behalf of local communities. Police authorities are made up of local people: a mix of local councillors, magistrates and independent members (selected from the community)

- The job of police authorities is to:
 - appoint (and, if necessary, dismiss) chief constables and senior police officers
 - consult with local communities to find out what they want the local police to do
 - set the budget for their police force, and decide how much local people should pay for policing in the local council tax
 - set the strategic direction for policing and decide what the police should focus attention on locally, based on their consultations with local communities
 - make sure the police force is continuing to do a better job

Cumbria Police Authority

Revenue Budget 2006-07 to 2007-08

	2006-07 Original Budget £'000	2006-07 Expected Results £'000	2007-08 Revised Baseline £'000
Police Pay & Allowances	58,969	58,610	60,195
Support Staff Pay & Allowances	19,949	20,809	23,055
Police Pensions	698	713	711
Other Employees Costs	996	1,023	1,131
Total Employees Costs	80,612	81,155	85,092
Premises Costs	3,709	3,968	3,979
Transport Costs	2,143	2,286	2,141
Supplies & Services	10,049	10,263	10,180
Support Services	104	95	107
Agency Costs	254	229	328
Capital Financing Charges	322	322	305
Revenue Contribution to Capital	1,924	1,634	2,045
Police Authority	697	676	727
Gross Expenditure	99,814	100,628	104,904
General Income	(3,104)	(4,086)	(3,013)
Rural Fund	(1,342)	(1,342)	(1,342)
Crime Fighting Fund	(2,100)	(2,100)	(2,100)
Grants	(2,811)	(5,105)	(5,214)
Net Expenditure	90,457	87,995	93,235
Contingency	188	158	188
Transfer to / from budget holders funds	0	(381)	0
Transfer to Earmarked Reserves	65	65	0
Transfer from Earmarked Reserves	(1,389)	(896)	(603)
Constabulary Budget	89,321	86,941	92,820
Amending Report	461	461	0
Transfer to General Reserves	546	546	180
Transfer from General Reserves	0	0	0
Budget Requirements	90,328	87,948	93,000
Financed by:			
Police Specific Grant	29,461	29,461	30,065
Revenue Support Grant	5,227	5,227	5,361
Business Rates	27,078	27,078	28,564
Council Tax Surplus	248	248	200
Council Tax Precept	28,314	28,314	29,850
	90,328	90,328	94,040
General Reserves:			
Balances Brought Forward	3,967	3,967	4,513
Transfer to Balances for the year	546	546	180
Balance available for Contribution to Capital Developments	0	2,380	1,040 *
General Reserves	4,513	4,513	4,693

*Based upon assumed
4.9% tax increase