

DORSET POLICE AUTHORITY – 12 FEBRUARY 2010

BUDGET 2010/11

REPORT OF THE TREASURER TO THE POLICE AUTHORITY

PURPOSE OF THE REPORT

To set out the council tax implications of the 2010/11 budget requirement.

1 INTRODUCTION

- 1.1 On 17 December, the Authority resolved that the Chief Constable should prepare two options for the Authority's revenue budget and capital programme for 2010/11, one based on a council tax increase of 4.96% and one based on a council tax increase in line with the Government's possible capping criteria (3.50% in December 2009).
- 1.2 It is still some months before the outturn for 2009/10 will be known. A small overspend is forecast, details of which are provided in a separate report to this meeting.

2. FINAL SETTLEMENT 2010/11

- 2.1 The Government announced the final settlement details on 20 January 2010. The final figures are revenue support grant of £3,190,034, non-domestic rates of £21,968,523 and Home Office police grant of £41,790,393. These are unchanged from the provisional figures announced in November and provide an increase of 2.50% over 2009/10, the minimum guaranteed 'floor' increase.
- 2.2 Specific grants from the Home Office for revenue purposes amount to £7.760M for 2010-11, plus capital grant of £1.270M, CLG grants of £2.346M in respect of the Western Division PFI scheme and £2.892M in respect of the DESPI PFI scheme. These are all as announced in November 2009. The amount of grant in respect of dedicated security posts was £1.912M. The implications of this are set out in the Chief Constable's budget report. Details of both revenue and capital grants in respect of the Olympics are also still awaited.
- 2.3 The collection authorities have now all notified the Police Authority of their tax bases, and the position on their council tax collection funds. The tax base has been confirmed as 294,733 for 2010/11 and there is a net surplus of £303,136 on the collection funds for 2009/10. The increase in tax base is slightly higher than last year at 0.69% compared to 0.28%. The collection fund surplus is higher than the previous year figure of £140,713. These figures form part of the council tax calculation after consideration of the Budget Requirement.

- 2.4 The amount raised from the reduced discount on council tax on second homes is now £953,000 as detailed in Appendix 1. This is an increase of £128,000 on the estimate for 2009/10. One of the Dorset Strategic Partnership objectives for the additional funds raised from second homes is community safety. The Chief Constable's budget includes proposals which are in accordance with this objective.
- 2.5 In previous years, it was agreed that each district and borough council in the Dorset County Council area retained 5% of these additional funds from each precepting authority to cover their additional costs of collection and monitoring. The agreement was for a period of at least 5 years, as the additional monitoring will have to be sustained in order to prevent abuse and maintain the level of income. The Chief Constable has included the required sum in his budget for 2010/11, which is the sixth year since the introduction of the reduced discount. The agreement will be reviewed later this year.
- 2.6 The higher taxbase can be assumed to continue in future years, but not at the rate of growth as in previous years. This will enable the planning and commitment of on-going spending. However, the collection fund surplus is of a one-off 'windfall' nature and cannot be guaranteed to continue. Indeed there remains a possibility of deficits on collection funds in the current economic climate.

3. BUDGET REQUIREMENT AND COUNCIL TAX

- 3.1 Throughout the 2010/11 budget process, the Government has been voicing concerns about the level of council tax increases and expressing the view that "We expect the average Band D council tax increase in England to fall to a 16 year low in 2010/11" (the average Band D council tax increase in 2009-10 was 3%) and that it will use its capping powers where necessary. The Government does not set its specific capping threshold in advance, but should the Authority exceed the capping threshold, it would be at risk of action by CLG, which might involve enforced budget reductions, limits on future council tax increases and additional costs if council tax bills had to be re-issued. The capping powers were applied to three Police Authorities in 2009/10 (Cheshire, Leicestershire and Warwickshire) and these authorities will have their precept limited in 2010/11 to around 3%. It is my view that if the Authority wishes to avoid the possibility of capping altogether, either the increase in budget requirement or the increase in council tax should be below 3%.
- 3.2 A budget survey undertaken by the Police Authority Treasurers' Society suggests the council tax increases for the 43 Police Authorities are as follows:

0% to 3%	29
3% to 4%	4
4% and above	10

- 3.3 Following the final settlement, the Chief Constable is recommending a budget requirement of £120.3M which would imply the following:

Budget Requirement	Band D Council Tax	Increase
		% per week
£120,304,100	£180.00	4.38 15p

- 3.4 In summary, the proposed increase in the budget requirement is 3.77%, and would mean an increase in the Police element of the council tax of 4.38%.

- 3.5 In accordance with the Authority's resolution in December, a second budget option is set out in the Chief Constable's budget paper for a 3.5% precept increase (3.38% budget increase) together with reference to the implications of that option. For the reasons set out in his report, the Chief Constable is not recommending Budget Option 2.
- 3.6 In future years, it is assumed that central funding will be frozen in 2011/12 and 2012/13, specific grants continue at the current level, collection fund surpluses are assumed to be zero and capping restrictions limit council tax increases to a maximum of 2.5%, the indicative future position will be as follows:-

	Band D Council Tax	Increase	Budget Requirement	Increase
2011/12	£184.50	2.50%	£121,436,000	0.94%
2012/13	£189.09	2.49%	£122,903,200	1.21%

- 3.7 If future council tax increases are limited to, for example, 2% each year, then the Budget Requirement would need to be reduced by around £0.27M in 2011/12 and by £0.56M in 2012/13.

4. STATUTORY DECLARATIONS

Robustness of the estimates

- 4.1 The Local Government Act 2003 (Section 25) requires all Financial Officers with 'Section 151' responsibilities to make a statement with regard to the robustness of estimates and the adequacy of reserves at the time the budget is set. The Authority has a statutory duty to "have regard to the report when making decisions about the calculations".
- 4.2 There are also a range of other safeguards aimed at ensuring local authorities do not over-commit themselves financially. These include:
- the Chief Financial Officer's powers under section 114 of the Local Government Act 1988, which require a report to the Authority if there is or is likely to be unlawful expenditure or an unbalanced budget;
 - the Local Government Finance Act 1992 which requires a local authority to calculate its budget requirement for each financial year, including the revenue costs which flow from capital financing decisions. The Act also requires an authority to budget to meet its expenditure after taking into account other sources of income. This is known as the 'balanced budget requirement'; and
 - the Prudential Code, introduced under the Local Government Act 2003, which applies to capital financing and treasury management decisions from 2004/05 onwards.
- 4.3 Whilst budgets are based on realistic assumptions, some budgets are subject to a degree of estimating error as actual expenditure can be determined by factors outside the Authority's control, for example major inquiries. The Authority has well developed arrangements for the monitoring and reporting of budgets during the year.
- 4.4 The robustness of the budget critically depends on the maintenance of a sound financial control environment including effective financial management. Under the scheme of Cost Centre Management, overspendings on delegated budgets have to be offset by underspendings elsewhere in the budget or carried forward to the following year.

- 4.5 In preparing the estimates, detailed risk assessments of both bids and budget reductions were carried out and reported to the Authority in December. More general risks relating to the strategy adopted in December are set out in the Chief Constable's budget paper on this agenda.
- 4.6 With regard to capital finance, there is a separate report on this agenda dealing with the Prudential Indicators, including a section on the risk assessment associated with treasury management decisions, together with a revised Treasury Management Strategy.

Balances and Reserves

- 4.7 The Authority's medium term policy is that the level of General Balances should be 3% of the total budget. Uncommitted General Balances as at 31 March 2010 are anticipated to be near to this level.
- 4.8 Earmarked reserves (i.e. everything except the General Balance) are intended to be used for specific purposes over a period of time of more than a single financial year. These earmarked reserves protect the Authority against specific financial risks, as in the case of the Insurance Reserve, or are used as a means of funding specific capital projects.
- 4.9 Earmarked reserves are likely to stand at about £14.1M at 31 March 2010. This assumes that the capital reserve we hold for the Bournemouth Custody Suite project, will be fully utilised during 2009-10.

General Assurance

- 4.10 In relation to the estimates, I am satisfied that they provide a robust and accurate basis upon which to calculate the police precept.

5. RECOMMENDATIONS

- 5.1 The Authority is recommended to: -
- (i) agree the budget requirement and set the basic amount of council tax for police purposes in Dorset for 2010/11 as presented in Appendix 1.
 - (ii) authorise the Chief Executive to issue precepts on the Dorset collection authorities accordingly.

PAUL KENT
Treasurer to the Police Authority
February 2010

Appendix 1 – Budget summary
Background Papers - The Government's Grant Settlement 2010-11

If you have any queries please contact Phil Rook on (01305) 221235 or e-mail p.i.rook@dorsetcc.gov.uk.

Appendix 1

DORSET POLICE

BUDGET SUMMARY	2010-11	£	£	
Budget Requirement			120,304,100	+3.77%
To be met from :-	Police Grant	41,790,393Cr		
	Revenue Support Grant	3,190,034Cr		
	Business Rate Income	21,968,523Cr	66,948,950Cr	
Council Tax payers			53,355,150	
Estimated Surplus on 2009-10 collection funds			303,136Cr	
PRECEPT required in 2010-11			<u>53,052,014</u>	

PRECEPTS

District Councils	Tax Base	Estimated Surplus on Collection	Precept	Tax Base	Precept
	2010-11	Funds 2009-10	2010-11	2009-10	2009-10
		£.p.	£.p.		£.p.
BOURNEMOUTH	63,684.00	177,990.00Cr	11,463,120.00	63,385.00	10,930,109.40
CHRISTCHURCH	20,866.00	13,367.00Cr	3,755,880.00	20,750.00	3,578,130.00
EAST DORSET	38,592.00	17,834.37	6,946,560.00	38,424.00	6,625,834.56
NORTH DORSET	27,087.90	5,720.00	4,875,822.00	26,926.50	4,643,205.66
POOLE	58,666.00	32,926.44Cr	10,559,880.00	58,002.00	10,001,864.88
PURBECK	19,754.72	8,227.98	3,555,849.60	19,716.20	3,399,861.53
WEST DORSET	43,082.50	61,000.00Cr	7,754,850.00	42,714.30	7,365,653.89
WEYMOUTH & PORTLAND	23,000.00	49,635.00Cr	4,140,000.00	22,800.00	3,931,632.00
	294,733.12	303,136.09Cr	53,051,961.60	292,718.00	50,476,291.92

NB - The tax base includes 5294.62 additional Band D equivalent properties arising from the reduced discount on second homes. This is equivalent to £953,000 or £3.15 in terms of council tax

COUNCIL TAX

	2010-11	2009-10	
BASIC AMOUNT	£180.00	£172.44	+4.38%
(Equivalent to	£3.45	£3.31	per week)
BAND A	£120.00	£114.96	
BAND B	£140.00	£134.12	
BAND C	£160.00	£153.28	
BAND D	£180.00	£172.44	
BAND E	£220.00	£210.76	
BAND F	£260.00	£249.08	
BAND G	£300.00	£287.40	
BAND H	£360.00	£344.88	