

Humberside Police Authority

17 February 2009

Agenda Item **5**  
Joint Report of the Chief  
Constable and the Deputy  
Chief Executive and Treasurer

## **REVENUE BUDGET AND PRECEPT 2009/10**

### **INTRODUCTION**

1. The purpose of this report is to present details of the financial framework within which the Authority will have to operate in 2009/10.
2. The report should be read in conjunction with the report on Priorities, Targets and Local Indicators at Agenda item 3 and the Medium Term Financial Strategy (MTFS) 2009/10 – 2013/14 considered at Agenda item 4.
3. The report confirms details of the Local Government Finance Settlement and Police Grant and recommends Revenue and Capital Budgets for 2009/10 for consideration and approval.
4. The report has been prepared in accordance with the Police Act 1996 to enable the Authority to approve:
  - The financial resources available to support the Policing Plan; and
  - the level of precept for 2009/10
5. Details of precept/Council Tax increases for a Band D property representing increases over 2008/09 of 3.5%, 3.9%, 4.5% and 4.99% are set out in the attached appendices which replicate the information provided with the MTFS.
6. Members will be required to approve the specific precept/Council tax increase for the year together and to agree the corresponding level of the budget for the coming year.

### **INFORMATION**

7. The annual Priorities and Resources Workshops were held on 13 and 14 January 2009. These workshops provided the opportunity for the Force, Authority and local partners, including the Government Office for Yorkshire and Humber, Local Strategic Partnerships (LSPs), Crime and Disorder Reduction Partnerships (CDRPs) and Local Criminal Justice Board (LCJB) to come together to develop shared priorities. Contributions from HM

Inspector of Constabulary were also considered alongside feedback from various consultation events and questionnaires circulated during the year. The aim of the workshops was to set the scene, to seek to identify priorities for the coming year, which in turn provide a basis for resource allocations to be aligned to those priorities.

8. In addition, this year the Force and the Authority have a much more developed corporate planning process that has been used to ensure that there is a focus on the strategic goals, the means by which the Chief Constable's Vision will be delivered.
9. These factors provide some of the context for the forthcoming financial year and are complemented by the MTFs for 2009/10 to 2013/14.
10. This builds on the work that has been developed in recent years. It remains important to recognise that the budget must be considered with medium term financial implications of spending decisions. This is particularly the case this year in view of unprecedented turmoil in the economy and financial markets.
11. Against this background it is vitally important to ensure that the Authority can deliver sustainable budgets in the medium term. Whilst there is substantial turbulence in the system, the Government has confirmed details of the main grants within external funding for 2009/10 and 2010/11, the final two years of the CSR2007 period, in line with the amounts announced last year. This provides some welcome certainty in financial forecasting. There is further certainty this year in that pay awards for both police officers and police staff have been agreed for 3 years commencing in 2008/09. The financial implications of these issues have been incorporated into the MTFs.
12. The forecast position is set out in the MTFs illustrating an increase of 3.9% in precept/Council Tax with additional information being provided in connection with other alternative scenarios for options of 3.5%, 4.5% and 4.99%.
13. Ministers have once again announced their determination to use the reserve capping powers available to them where they deem spending decisions to be "excessive". In previous years this has been determined using criteria based on increases in Council Tax, increases in Budget Requirements or a combination of both. The Government have, once again, indicated that they will not announce details of the specific capping criteria for 2009/10 in advance of authorities setting their budgets. Ministers have however given a clear indication that they expect to see Council Tax increases "substantially less than 5%". Last year, after a number of years when only warnings were given, The Government used its powers and required Lincolnshire Police Authority to re-bill and a number of other police authorities have been set prescribed limits for budget increases next year.

14. When considering capping, the benefit of generating additional income has to be set against the risk of having to meet the cost of rebilling in a worst case scenario if the Government intervenes. Once again it remains a matter of conjecture as to what precisely is meant by increases of “substantially less than 5%”. There can be no guarantees that what was acceptable last year will be again this year. Clearly the action taken by Ministers last year has heightened the risk of intervention.
15. As in previous years, officers will give a verbal update at the meeting on information from authorities that have already set their budgets and details of predicted Council Tax increases based on the most up to date information from current surveys of police authorities and local government in general.
16. In addition to the general grant information, details of various other specific grants have also been confirmed. Details are provided at 5.3 below.
17. With regard to spending in 2008/09, budget monitoring reports have been considered by the Finance Committee on a regular basis. Monitoring information has been made available this year both to officers and Members via the Force intranet and Police Authority web-site and this has included commentaries from budget holders. The Authority is committed to improving the process further.
18. The MTFS has been updated and Members have been provided with regular briefings on external factors affecting spending assumptions and on police spending generally.
19. The final budget monitoring report for the year will be submitted to the Finance Committee in March. The information contained in this report is based on the most up-to-date forecasts of outturn for 2008/09 included with the Period 9 budget monitoring report. Details were presented to the Finance Committee on 27 January and to the Performance Committee on 3 February 2009.

## **PRIORITIES**

20. The Performance Committee at its meeting on 3 February 2009 considered a briefing on the outcome of the Priorities Workshop and ongoing discussions with partners. This information is covered in the report at Agenda item 3.
21. The Force’s corporate planning process has continued to be developed during the year to ensure that resources are directed towards delivery of the Chief’s Vision for the Force. Regular reports on progress against the Plan have been submitted to the Performance Committee. Business cases supporting requests for budget growth were presented to the Resources Workshop on 14 January 2009.

22. The Force and the Authority remain committed to a programme of business and workforce modernisation (BWFM) as part of a range of measures to improve efficiency and productivity by optimising systems and processes and workforce mix. It is also estimated that BWFM will also generate significant budget savings.
23. The need to act to balance budget against realistic levels of available resources has been recognised and the Force has proposed the “Choices Programme”, a corporate capacity and capability review. This will include a detailed assessment, using techniques such as microanalysis, of all aspects of policing and is designed to identify ways of securing budget savings and efficiencies.

### **MEDIUM TERM FINANCIAL STRATEGY (MTFS)**

24. This is the third comprehensive MTFS that has been produced by the Authority and the Force. It has been updated and further enhanced once again.
25. It sets out the Strategy for the Authority and the Force for the period 2009/10 to 2013/14. It once again contains full details of the underlying assumptions and projections for this period. It is based on the best information currently available on key variables and aims to provide the context within which Members need to make decisions on the annual budget and precept for 2009/10. The Strategy has been updated following the Resources Workshop, consideration of updated spending data by the Finance Committee, a presentation to the Performance Committee and formal and informal consultation with the Chair’s Strategy Group and Members. The proposals contained within this report are based upon assumptions of precept/Council Tax increases of 3.5%, 3.9%, 4.5% and 4.99%. Ministers have made it clear that in 2009/10, as in previous years, that they expect to see precept increase of “substantially less than 5%” The figure of 3.9% now appears to be the option that is more generally in line with proposals from the Local Authorities in the Force Area that have already declared their intentions on Council Tax for the coming financial year. Members of course have the opportunity of approving an increase in precept/Council Tax at a higher or lower level.
26. In considering the level of increase to the 2009/10 precept Members should also bear in mind the following. The financial gearing of local authorities is lower than that of the Police Authority. That is, for the same percentage increase in precept any of the unitary authorities derive significantly more income than the Police Authority and the financial effect on local taxpayers is substantially more. To illustrate, the difference between the lowest (3.5%) and highest (4.99%) of the modelled precept increases in what would actually be paid based on the average of Band A and B precept levies is £1.58 (3 pence per week). The majority of local taxpayers fall into one of these two bands.

27. Set against this, the funding derived from a 4.99% precept increase in 2009/10 would be £661k higher than that for a 3.5% increase and over the five years of the MTFFS the difference in income derived would be £11.2m. Whilst the difference in a single financial year and the effect on funding Force performance and development is not very significant, it rapidly becomes so as a loss of permanent income through the precept compounds up. Clearly the decision on precept also affects the extent to which the Force has to find counteracting savings to meet the challenging efficiency target set by the Authority.
28. A number of other factors have had to be taken into account when considering the level of precept/Council Tax. It is now clear that the scale of savings identified as being possible to be generated from BWFM at this time last year was overly ambitious. Savings have been identified but they are much lower and will take longer to achieve.
29. Members are well aware of the added difficulty caused by the fact that the Authority held investments totalling £5.57m in the Heritable and Kaupthing Singer and Friedlander Icelandic Banks when they failed in October 2008. At this stage, the Administrators appointed in connection with these Banks are continuing their work and the timing and extent of any settlement remains unclear. Until this matter is resolved access to this funding cannot be anticipated. As reported previously and evidenced by the MTFFS the level of reserves that are currently being held means that this issue will not have an immediate impact on policing. In this respect it should also be noted that regulations have been introduced so that Authorities do not have to formally make provisions for any losses in 2009/10. Members will be provided with reports as and when matters concerning these investments become clearer.
30. The MTFFS allows for financial modelling, which for a number of years has been based on a 5 year Financial Forecast. This model has served the Authority well and, notwithstanding the Icelandic Banks issue, it remains in a relatively strong financial position and still has access to substantial reserves. The forecast clearly demonstrate however that there is a considerable gap between spending and resources. Presently this is being met by using reserves. The Authority is spending beyond its means and this must be addressed. Reliance on reserves to support the base level of spending cannot continue as they can only be used once. Using them to bridge the gap on routine spending is unsustainable. Planned and concerted action is needed to correct the situation.
31. The accumulation of reserves has been part of a deliberate policy although they are higher than originally planned due to difficulties with some capital schemes and underspending on revenue in previous years. The Authority took action to rationalise its reserves and created the Performance Improvement Reserve (PIR). As agreed last year following improvements in financial management the PIR was boosted by releasing monies from the General Reserve. The balance in the General Reserve was reduced to 3% of the net revenue budget from 5%.

32. The PIR continues to provide the Force and Members with time and opportunity to reshape the service and to bring the budget back into balance in a controlled manner. The Choices Programme will be the main vehicle to achieve this. It will be a significant challenge for the Force but one that must be addressed. It has been clear for sometime that the service will have to face increasing financial constraints. This has been exacerbated by impact of the economic downturn and fears that there will be significant cut-backs in spending and hence Government support for most public services.
33. There are a range of other factors which increase the urgency with which the Force's funding situation has to be addressed. These include rapid reductions in interest rates that have had an impact through reductions in investment income in 2008/09 which will persist into later years, the inflationary impact of falling pound and not least the recognition that against the background of redundancies, job losses, mortgage repossessions and downward pressure on wages that makes justification of above inflation increases in Council Tax difficult to justify. The uncertainty surrounding the Icelandic Banks issue adds a further complication.
34. Modelling suggests that if action is not taken then the PIR would be exhausted by 2011/12. This would mean that making continuing calls on reserves above those already agreed would give rise to calls being made on the General Reserve. This would not be acceptable.
35. The MTFS provides the tool that will enable the Authority to plan to achieve a successful outcome to the task of achieving a sustainable level of base budget expenditure whilst ensuring that spending plans reflect agreed priorities and operational needs. The Authority and the Force must promote the prudent use of reserves for "spend to save" initiatives. This is an essential feature of the MTFS. Balanced budgets must be delivered by 2011/12 in a carefully planned and co-ordinated way. Alongside the Choices Programme BWFM remains a key factor in delivering the underlying savings in the base budget that are required but this will not achieve the required solution alone.
36. In 2008/09, the assessment of BWFM savings was not hardwired into the MTFS but was incorporated only on a memorandum basis. In retrospect this proved to be a sound decision given the difficulties in actually delivering the savings. This has now been recognised. Last year, given the scale of the potential savings from BWFM, a decision was taken not to include growth in the budget and increased costs relating to additional capital spending. This year, in order to improve the model requirements and to better reflect the financial challenges faced by the Authority and the Force, provisional sums have been included for growth based on previous experience in addition to the additional costs associated with the business cases considered at the Resources Workshop. This allows the level of

necessary cash savings to be identified to arrive at a sustainable base budget to be identified.

37. It should be noted that it now falls to the Police Authority to set and hold the Force accountable for delivering challenging efficiency targets, targets that from 2010/11 will have to be shown on Council Tax bills. The MTFS provides a basis for demonstrating the calculation of the targets for cash releasing efficiency gains. It also provides the basis for striking a balance between budget growth savings and the appetite and capacity for Council Tax increases.
38. In addition, the Strategy provides a mechanism by which risk and risk management is factored into spending and resource allocation decisions. This is a vital component in the professional assessment of the adequacy of reserves. Improved and transparent financial planning enables explicit decisions to be made about the way in which reserves can be used to either support base budget spending, for new initiatives or to spend now to reduce ongoing budget costs. It is essential that the integrity of the base budget is maintained for the Authority and this has been a key factor of every MTFS agreed to date. The Chief Constable will be required to bring forward measures to bridge the budget gap. If this cannot be achieved with certainty then the growth associated with the business cases will not be affordable and the initiatives cannot be allowed to proceed. This should only be approved when the necessary savings by cutting back on existing spending have been identified. A mechanism must be put in place so that there are effective arrangements to prevent unaffordable spending being added to the current level of expenditure.
39. The MTFS takes account of the costs of prudential borrowing which must be affordable, both in terms of servicing the cost of additional debt, repayments and interest, the Minimum Revenue Provision (MRP), and meeting all of the other revenue consequences of capital spending. As with budget growth generally, if savings cannot be identified to balance the base budget it may be necessary to postpone or cancel new capital projects as they will not be capable of being demonstrated to be affordable.
40. A robust strategy will provide a sound basis for consultation with stakeholders and local communities at a time when they too are facing considerable financial challenges.. It can be used to support the continuing development of partnership working at local and Regional level. The Authority and the Force remain fully committed to and are increasingly influential in improving partnership working with specific emphasis on work with LSPs and CDRPs. Joint working with the other Yorkshire and Humberside Forces has continued through the Joint Police Authorities' Committee (JPAC). The MTFS contains provision for the costs of this regional collaborative activity.

41. In 2008/09 the MTFS provided for the creation of a Partnership Reserve. This has proved its worth during the year and Divisions benefited from gaining access to additional funding to support continuing initiatives to help sustain performance which would otherwise have had to cease. It is not recommended that the Reserve is topped up this year but it is recognised that the balance could be a significant factor in ensuring that the Force and the Authority's capacity to contribute to effective partnership working is maintained and enhanced.
42. Regular briefings on factors affecting the MTFS will continue to be provided to members.

## REVENUE ESTIMATES

43. The revenue estimates provide for the day to day running costs to support the delivery for the Policing Plan.
44. This will be supported by Government funding coming to the Authority through a mixture of General, "Rule 2 Grants" and Specific Grants.
45. The assumptions on main and ring fenced grants have been confirmed as:-

	2008/09 £'m	2009/10 £'m
RSG & NNDR	59.003	60.355
Police Grant	66.105	68.022
	125.108	128.377
<b>Additional Rule 2 Grants and Counter Terrorism 2007/08</b>		
Rural Policing Fund	0.698	0.698
Special Priority Payments	1.202	1.202
Forensic Grant	0.439	0.439
Initial Police Learning and Development (IPLDP)	0.380	0.380
Counter Terrorism*	0.923	0.932
<b>Ring Fenced Grants</b>		
Neighbourhood Policing/CSOs	4.510	4.637
Crime Fighting Fund	3.960	3.963
Basic Command Unit Fund	0.750	0.757

\* CT funding has yet to be confirmed, the figure shown for 2009/10 assumes grant is at the same level the final amount agreed for 2008/09.

46. The balance of funding for the budget after taking account of use of reserves comes from the precept collected with the Council Tax by the four Unitary Authorities. The local authorities have confirmed that the Council Tax Base for 2009/10 is 283,963.25 Band D equivalent properties (283,578.63 2007/08) and they have also provided details of the Collection Fund surpluses of £21k available as follows:

<b>Unitary</b>	<b>Tax base (Band D equivalents)</b>	<b>Collection Fund Surplus £'000</b>
East Riding of Yorkshire	117762.75	0
Kingston upon Hull	68863.00	14
North East Lincolnshire	50598.10	7
North Lincolnshire	47039.40	0
<b>Total</b>	<b>283578.63</b>	<b>21</b>

47. Members will need to make a balanced judgement when determining the budget and level of Council tax after taking into account a range of factors including the need to raise additional resources to help to balance the base budget, maintenance of the Authority's resource base, the level of general reserves and earmarked reserves and the potential calls on them. The risk of capping will remain until the Government announces details of the actual capping criteria. However at the level of 3.5% or 3.9%, the risk appears minimal but it would increase at levels closer to the cap of 5%.
48. Until recently a number of authorities were indicating increases at or around 5%, however, as the economy has moved into recession, and authorities have recognised how difficult it will be to justify above inflation increases, predictions of precept rises have reduced.
49. A significant number of police authorities were selected by the Government for designation and nomination using its capping powers. The Lincolnshire Police Authority was required to re-bill in 2008/09. The remaining authorities will have their increases in budget requirement prescribed and limited in 2009/10 as a result of their budget decisions last year. To date maximum increases of 3% in Council tax have been quoted however it is understood that lower than anticipated forecasts of tax base as a result of estimates of lower collection rates and valuations could give rise to legitimate increases above this figure.

## **FINANCIAL FORECAST**

50. Details of the Financial Forecasts incorporated within the MTFs are set out in the attached appendices. This provides information on the changes required to the budget for 2009/10 and expenditure projections and sets them against likely levels of available funding for each of the scenarios.

51. The key assumptions in the proposed budget for 2009/10 and sensitivity analysis are set out below:-

<b>Assumption</b>	<b>%</b>	<b>Sensitivity Analysis</b>
<b>Pay Inflation</b>		
Police Pay	N/A	N/A – pay increases agreed for 2008/09 – 2009/10
Police Staff	N/A	N/A – pay increases agreed for 2008/09 – 2009/10
<b>Price Inflation</b>	2.30	An increase of 0.1% in prices results in an additional pressure of £0.035m
<b>Funding</b>		
Council Tax	3.90	A 1% increase in Council Tax generates £0.44m in additional income

52. The Home Office Efficiency and Productivity Strategy published last year required police authorities to make 3% efficiency savings in each of the next three years with an overall cumulative Home Office target of 9.3%. The efficiency planning arrangements have continued with updates provided to the Finance Committee and Performance Committee on the matter. From 2010/11 the Authority will have to provide information on its efficiency planning target on the Council Tax bills. For a 3.9% increase in precept/Council Tax, it is suggested that a 3% target should be set for cash releasing savings in 2009/10 and 2010/11. The target for 2011/12 can be reviewed at this time next year but on current forecasts it is also likely to be in the order of 3% and the Force should plan for this as these are the savings that will be necessary to balance the base budget within the timescale recommended by the Performance Committee

## **CAPITAL INVESTMENT**

53. The Capital Programme has been reviewed to ensure accuracy and achievability. The Programme will fully utilise all existing capital receipts, available Government grants together with the use of supported and unsupported borrowing.
54. Details of the proposed Capital Programme and recommended financing proposals are set out below:-

<b>CAPITAL SCHEME</b>	<b>2008/09 Current £'000</b>	<b>2009/10 £'000</b>	<b>2010/11 £'000</b>	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>

Estates Strategy	4,666	3,012	10,100	10,846	0	0
Communications Equipment	687	1,826	1,215	1,020	895	835
Computer Equipment	1,626	1,600	2,100	1,700	1,600	3,000
NPT Programme	2,581	736	0	0	0	0
Vehicles and Equipment	2,901	1,622	1,564	1,940	1,919	1,556
Air Support	218	0	0	0	0	0
<b>TOTAL CAPITAL PROGRAMME</b>	<b>12,679</b>	<b>8,796</b>	<b>14,979</b>	<b>15,506</b>	<b>2,495</b>	<b>5,391</b>

55. As Members are aware the Authority is required to set Prudential Code Performance Indicators. Any required revisions to the 2008/09 Indicators and proposals for 2009/10 will be presented to the full Police Authority meeting at its meeting on 24 March 2009 for formal approval.

## **RISK MANAGEMENT AND RESERVES**

56. The MTFs sets out the importance of linking risk management to financial planning with the aim of ensuring that the information and assumptions are robust. This involved the application of in depth appraisal and assessment of business cases using a revised and more challenging process than used previously. Resources allocated to new initiatives in previous years together with validations of elements of the base budget continue to be reviewed to allow any unspent or un-required budget provisions and balances to be released into the financial forecast.

57. The Capital Programme has been reviewed to ensure that projects can be delivered within the timescales set out for each scheme.

58. The financial consequences associated with potential risks are identified and proper provision is made. The financial risks arising from operational issues are monitored via reviewing the risk management issues dealt with by the Force Audit Board and reported regularly to the Finance Committee.

59. The Force has continued to manage its finances within agreed budgets. The Risk Management Strategy and provisions identify the potential risks and the financial impact on the Authority and the Force. The 5 year Financial Forecast within the MTFs has provided the basis for the Authority's position of relative financial strength.

60. The budget and MTFS have been prepared jointly by the treasurer and Deputy Chief Executive and Assistant Chief Officer (Support). In their opinion, each of the proposals as set out in this report, if supported, will provide the Authority with the information to set a robust budget for 2009/10.
61. The Authority and the Force seek to maintain reserves to manage the financial risks. The MTFS sets out details of proposed use of reserves together with the requirement to maintain the amount held in the General Reserve. Withdrawals from reserves can only be made once. It is not prudent to use funding from the General Reserve to support recurring spending.
62. The Strategy also identifies earmarked reserves, particularly the PIR, which provides opportunities to introduce flexibility to help to provide funding to support performance improvement and enhanced service delivery. The MTFS sets out proposals for the use of the PIR to support BWFM. This programme is still anticipated to deliver significant savings based on a much clearer understanding of the position. As a result the costs and projected savings have now been formally incorporated into the MTFS and will be reflected in detailed revenue budgets. Members will need to continue to provide oversight of individual proposals which come forward to the Authority to release funding following consideration by the BWFM Project Board, of the level of investment and business benefits, including that savings continue to be realistic and achievable.
63. The medium term intention remains to deliver a base budget that can be sustained within the likely level of available external resources without relying on the use of reserves beyond those already agreed. Given the uncertainty in assumptions beyond the period covered by CSR07 compounded by the difficulties surrounding the money invested in the Icelandic Banks it is now considered necessary to reduce the reliance on reserves and to achieve this balanced position by 2011/12.
64. The levels of reserves are considered by the Treasurer and Chief Deputy Chief Executive and Assistant Chief Officer (Support) to be adequate in the context of the Authority's risk based approach and the ability of the Authority and the Force to manage its finances within approved budgets.

## **CONSULTATION**

65. There is a duty to consult with representatives of non-domestic ratepayers in the area. Copies of this report and the MTFS will be shared with the Chamber of Commerce and the Federation of Small Businesses and any comments and observations will be reported to the meeting.

## **PRECEPT LEVELS**

66. The Authority is required to raise a proportion of its funding by precepting on the four Unitary Authorities in the Humberside Police area. Council Tax

is paid to the Police Authority by the Unitaries in 12 equal instalments. As previously reported, discussions have taken place regarding possible changes to this arrangement but it has been accepted that the previous practice will continue.

67. As indicated in paragraph 5.5 the tax base for 2009/10 using information received from the Unitaries has been determined as Band D equivalent properties.
68. Since 2001/2002, the Band D precepts implemented by the Authority have been:-

	<b>£ per annum (Band D)</b>	<b>% age Increase</b>
2001/2002	85.77	42.24
2002/2003	95.40	11.23
2003/2004	113.04	18.49
2004/2005	129.96	14.97
2005/2006	135.72	4.43
2006/2007	142.47	4.97
2007/2008	149.58	4.99
2008/2009	156.31	4.50

69. The current Band D precept is £156.3m. An increase of 3.9% would result in a Band D precept for 2009/10 of £162.41, £6.10 more than 2008/09 or less than 12p per week.
70. The Police Authority is required to produce a Council Tax leaflet that provides a prescribed range of information to tax payers. The leaflet is currently being produced within the Police Authority Secretariat and will be issued to the four Unitary Authorities for distribution to their Council Taxpayers in March 2009.

## **OPTIONS/RISK**

71. The Authority has to set a balance budget in order to be able to raise the funding necessary to financing policing during 2009/10.
72. The level of precept is a matter for the Authority and this report suggests that the level for 2009/10 should be set at 3.9%. This appears to represent a balance between including the growth identified by the Chief Constable as being necessary based on business cases considered by the Chief Officer Group, suggestions of the cash savings that will be needed to be made in the year and prudent use of reserves. It is part of a strategy to enable the Authority and the Force to eliminate its reliance on the use of reserves beyond that already agreed to support its base level of spending by 2011/12

73. The Authority has the option of agreeing a higher or lower level of precept. A higher level could result in potential capping and have a serious impact on public opinion in the present economic circumstances. It would however reduce the pressure on the Force to make budget savings and improve the resource base for future years. Agreeing a lower precept would increase the level of savings needed to balance the budget or require additional use of reserves beyond a level that might be regarded as prudent.

## **FINANCIAL IMPLICATIONS**

74. The financial information in connection with the budget for 2009/10 and later years are set out in this report and covered in detail in the MTFS.

## **LEGAL IMPLICATIONS**

75. The Authority has a duty to ensure that proper procedures are in place for the management of its financial affairs. When setting the budget, the Treasurer is required to confirm that the budget is robust and that the level of reserves is adequate.

## **EQUALITY AND DIVERSITY IMPLICATIONS**

76. The budget process has been the subject of an Equalities Impact Assessment which was considered by the Communities and Partnerships Committee in 2008.
77. There are no direct implications within this report in terms of the implications on the Authority's obligations in connection Equality and Diversity although there may be implications in connection with individual business cases.

## **CHILDREN ACT 2004**

78. There are no direct implications within this report in terms of the implications on the Authority's obligations in connection with the Children Act 2004.

## **RECOMMENDATIONS**

79. It is recommended that Members refer to all of the information provided at the Chairs Strategy Group, the Priorities Workshop of 13 January, the Resources Workshop on 14 January, the Finance Committee on 27 January and Performance Committee on 3 February 2009 and scrutinise the issues raised in this report.

80. It is further recommended that:

- i. taking into account the issues set out in the report, the requirements of the Policing Plan and the financial pressures considered at the Workshop, the Revenue Budget for the Authority for 2009/10 members agree the level of precept/Council tax from the options of 3.5%, 3.9%, 4.5% and 4.99%
- ii. the Collection Fund surplus of £21k be used to fund the 2009/10 revenue budget;
- iii. the precept payable by the Unitary Authorities should be in 12 equal instalments on dates to be agreed;
- iv. the Capital programme and funding proposals for 2009/10 as set out at paragraph 7.2 be approved; and
- v. a further report be submitted to the Police Authority on the Prudential Code Performance Indicators for 2009/10 and any amendments for 2008/09 for consideration and approval at its meeting on 24 March 2009.

**TIM S HOLLIS**  
**Chief Constable**

**JOHN BATES**  
**Deputy Chief Executive and**  
**Treasurer**

Police Headquarters, Priory Road, Hull

Background Papers:-

1. 2009/10 Estimates File
2. E-Mails from Home Office
3. 13 and 14 January Workshop Papers
4. Performance Committee, Finance Committee and Chairs' Strategy  
Group papers relating to the MTFs and budget 2009/10
5. Risk Management Strategy