

TAYSIDE JOINT POLICE BOARD

29 January 2001

Joint Report by the Chief Constable and Treasurer No. PB 3/2001

SUBJECT: 2001/2002 REVENUE BUDGET

Abstract: This report details the proposed Final Revenue Budget for 2001/2002 and recommends that the Treasurer be instructed to send the necessary requisitions to the constituent councils.

1. RECOMMENDATION

1.1 It is recommended that the Board:

- (a) note the contents of this report
- (b) agree a Net Revenue Budget of £64.103m for Tayside Police for 2001/2002 (after deduction of £630,000 to be provided directly by the Scottish Executive to fund additional officers for 2001/2002 as detailed in Appendix A to this report
- (c) note that interest earned on revenue balances in 2001/2002 is estimated to be £200,000 and the recommendation by the Finance Sub-Committee is that this sum be returned to the constituent Councils
- (d) note that the recommendation to return the projected interest on revenue balances to the constituent Councils has been reflected in the requisitions detailed in Appendix B to this report and that any variation to the projected figure of £200,000 will result in an amendment to these requisitions
- (e) instruct the Treasurer to send requisitions to the constituent Councils in accordance with Appendix B to this report.

2. BACKGROUND

- 2.1 Reference is made to Paragraph 9 Minute of Meeting of the Finance Sub-Committee of 15 December 2000 wherein the Sub-Committee agreed the contents of Report No. PB 60/2000 - "2001/2002 Provisional Revenue Budget" and agreed in principle to set a budget of £64.162m (which excluded funding of £630,000 which is to be provided directly by the Scottish Executive to fund additional officers) as outlined in Appendix A to Report No. PB 60/2000.
- 2.2 Report No. PB 60/2000 contained a number of typographical errors. A copy of the amended Report is attached to this report (Appendix C) for ease of reference with the amendments highlighted in bold type.
- 2.3 In approving the Report the Finance Sub-Committee recommended that interest earned on revenue balances in 2001/2002 which is estimated to be £200,000 should be returned to the constituent Councils.

- 2.4 The Grant Aided Expenditure figures provided to Police Boards in December 2000 excluded loan charges, CFCR, the Boards' share of Common Police Services, other non grant earning expenditure and estimated funding of £630,000 which is to be provided directly by the Scottish Executive to fund additional officers. Prior to 2000/2001 the figures used by the Scottish Executive for loan charges were those provided by the Boards to the Justice Department.

3. LOAN CHARGES

- 3.1 Following discussions with the Treasury Management section of Angus Council it has been possible to identify a reduction in loan charges from £1.504m (as contained within the Provisional Revenue Budget) to £1.445m which is in line with the AEF support figure calculated by the Economics Advice and Statistics Division of the Scottish Executive. This reduction of £59,000 in loan charges is reflected in the budget for loan charges included in Appendix A to this report.

4. CONCLUSION

- 4.1 The Proposals contained within this report with regard to loan charges allow for the 2001/2002 Revenue Budget (as detailed in Appendix A) to be set in line with the GAE settlement.
- 4.2 In addition it is anticipated £630,000 of additional funding will be provided directly by the Scottish Executive to fund additional officers. This additional funding which does not impact on the requisitions to the constituent Councils has been incorporated in the 2001/2002 Revenue Budget figures detailed in Appendix 'A' to this report.
- 4.3 Appendix B to this report provides details of the requisitions to be sent by the Treasurer to the constituent Councils.

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30 December, 2010

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APPENDIX B TO REPORT NO. PB 3/2001

TAYSIDE POLICE REVENUE BUDGET 2001/2002

	2001-2002 FINAL REVENUE BUDGET £000	CCTV COSTS £000	NET OF CCTV COSTS £000
Net Expenditure	64,103	462	63,641
<u>Adjustments To Reflect GAE Basis</u>			
Less: Non Grant Earning Expenditure	(1,258)	-	(1,258)
Less: Capital Financing Costs	(1,445)	-	(1,445)
Less: CFCR	(150)	-	(150)
Add: Interest on Revenue Balance	200	-	200
2001-2002 on a GAE Basis	61,450	462	60,988
Add: CFCR	150	-	150
Add: Capital Financing Costs	1,445	-	1,445
Eligible Expenditure for Grant Purposes	63,045	462	62,583
Less: Police Grant on Eligible Expenditure @ 51%	(32,153)	(236)	(31,917)
Add: Non-Grant Earning Expenditure	1,258	-	1,258
Less: Interest on Revenue Balances	(200)	-	(200)
REQUISITION LEVEL	<u>31,950</u>	<u>226</u>	<u>31,724</u>

GUIDELINE EXPENDITURE

	Angus £000	Dundee £000	P & K £000	Total £000
Eligible Expenditure Level for Grant Purposes (excluding CCTV costs)	15,270	28,413	18,900	62,583
Add: Non Grant Earning (excl. CPS)	<u>43</u>	<u>80</u>	<u>53</u>	<u>176</u>
	15,313	28,493	18,953	62,759
Add: CCTV Allocation	158	186	118	462
Total Guideline Expenditure Level	<u>15,471</u>	<u>28,679</u>	<u>19,071</u>	<u>63,221</u>

REQUISITION LEVEL PER COUNCIL

	Angus £000	Dundee £000	P & K £000	Total £000
Requisition Level (excluding CCTV costs)	7,741	14,403	9,580	31,724
CCTV Allocation	77	91	58	226
Total Requisition Level	<u>7,818</u>	<u>14,494</u>	<u>9,638</u>	<u>31,950</u>

Notes:

- (1) CCTV costs are apportioned between Councils based on the number of Operators currently in place.

	Full-Time	Part-Time
Angus	8	-
Dundee	8	2
P & K	6	-
	<u>22</u>	<u>2</u>

- (2) Excluding CCTV costs the % share met by each Council is in accordance with the amalgamation scheme agreement which equates to:

	%
Angus Council	24.4
Dundee City Council	45.4
Perth and Kinross Council	<u>30.2</u>
	<u>100.0</u>

THERE IS AN APPENDIX A TO THIS REPORT IN EXCEL -

File Name - APPENDIX A 2001-2002 FINAL REVENUE BUDGET.xls

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TAYSIDE JOINT POLICE BOARD

FINANCE SUB COMMITTEE

15 December, 2000

Joint Report by the Chief Constable and Treasurer No. PB 60/2000

SUBJECT: 2001/2002 PROVISIONAL REVENUE BUDGET

Abstract: This report takes cognisance of the total Grant Aided Expenditure (GAE) settlement of £786.5 million (excluding funding for additional officers) for the Scottish Police Service announced by the Minister for Finance and provides the Board with a Provisional Revenue Budget for 2001/2002 based on a needs estimate.

1. RECOMMENDATION

1.1 It is recommended that the Finance Sub-Committee:

- (a) note that the total estimated cost of operating the Force in **2001/2002** on a GAE basis is £61.942 million (including £630,000 funding for additional officers, **but excluding any provision for ill health retirees**). In addition a provisional sum of £2.712 million in respect of non-GAE expenditure has been added to give a total net revenue budget of **£64.654** million
- (b) agree in principle the 2001/2002 Provisional Revenue Budget (**as outlined in Appendix A which excludes funding of £630,000 for additional officers**) which is in line with the GAE announcement and refer the budget to a special meeting of the Board for final determination
- (c) note that interest earned on revenue balances in 2001/2002 is estimated to be £200,000 and there is a requirement to make a decision on whether this sum is to be returned to the Constituent Councils or retained by the Board as a working balance.

2. INTRODUCTION

- 2.1 One of the main responsibilities of the police authorities as set out in the Guidance for Members of New Police Authorities and Joint Police Boards is to "set the budget for the force and so provide the Chief Constable with the resources necessary to police the area efficiently and effectively".
- 2.2 Thereafter the Joint Police Board is required to delegate control of the Force budget to the Chief Constable.

3. BACKGROUND

- 3.1 Earlier this year the Scottish Executive requested details of Forces' proposed budgets for 2001/2002 produced in a consistent manner. The budget submitted by Tayside Police to the Scottish Executive which in the view of the Chief Constable represented the sums necessary to police the area of Tayside efficiently and effectively was £61.942 million (excluding loan charges, the Board's share of Common Police Services, other Non Grant Earning Expenditure **and any provision for ill-health retireals**, but including £630,000 funding for additional officers). The total GAE figure of £786.522 million has been announced for the Scottish Police Service for 2001/2002 and the distributed allocation for Tayside Police is £61.450 million. The announcement indicates the sums allocated to forces are to meet their budgeted needs and make a contribution to meeting the costs of ill health retireals. In the case of Tayside Police this contribution amounts to £138,000.
- 3.2 Members will recall the Deputy First Minister announced in May 2000 that the sum of £7.9 million was being made available to Forces by way of a 100% grant to fund an additional 500 police officers and/or support staff. Tayside's share of this additional funding was £612,000 which has been used to appoint an additional 22 police officers and 3 support staff. These officers have been recruited on a phased basis and all will be in post by 31 March 2001. It has been made clear by the Scottish Executive that the £786.5 million GAE announcement within the Comprehensive Spending Review excludes the funding for these additional officers and the intention is to provide this funding in 2001/2002 also by way of a 100% grant. The 2000/2001 figure of £612,000 for the Force has been updated by 3% pay inflation to the £630,000 contained within the 2001/2002 Provisional Revenue Budget.
- 3.3 In common with other forces the 2001/2002 needs assessment submission to the Scottish Office made no allowance for ill health retireals. It has therefore been necessary to make budget virement adjustments totalling £500,000 to enable the necessary provision for ill health retireals to be made in the Provisional Revenue Budget (see paragraph 5.5). These adjustments are detailed below and when added to the contribution contained within the 2001/2002 GAE figure will allow for a total provision of £638,000 to be made in respect of ill health retireals:

Budget Virement Adjustments

	£000
(a) reduction in police pay (see paragraph 5.1)	240
(b) reduction in police overtime (see paragraph 5.2)	25
(c) reduction in police allowances (see paragraph 5.3)	80
(d) reduction in police national insurance (see paragraph 5.4)	30
(e) reduction in monthly pension payments (see paragraph 5.6)	50
(f) reduction in property costs (see paragraph 5.13)	50
(g) increase in other income (see paragraph 5.15)	25
TOTAL	500

4. PRINCIPLES ADOPTED IN PREPARATION OF TAYSIDE POLICE 2001/2002 PROVISIONAL REVENUE BUDGET

- 4.1 In preparing the 2001/2002 Provisional Revenue Budget, the budget submitted to the Scottish Executive earlier this year has been used as a base. This indicated that a sum of £61.312 million (on a GAE basis excluding £630,000 funding for additional officers) was required to allow the Chief Constable sufficient resources to police the area in the most efficient and effective manner. This however excluded any requirement to fund ill health retirements.
- 4.2 An exercise has been carried out to ensure the adequacy of all expenditure and income budget heads including particularly staff costs and by careful pruning of the budget the full year effect of employing CCTV operators on the same basis as 2000/2001 has been accommodated. This has only been achieved by the application of slippage factors for both Police Officers and Support Staff within the budget and whether the CCTV operators element of the budget can continue to be sustained or not is dependent upon the Force's Revenue Budget being in line with GAE.

5. MAIN FEATURES WITHIN THE BUDGET

5.1 Police Pay

The budget submitted to the Scottish Executive provided for full net establishment allowing for recovery of full pay for seconded officers. However as part of the budget virement adjustments totalling £500,000 referred to in paragraph 3.3 it has been necessary to make a provision of £240,000 for slippage in filling vacant Police Officer posts. This equates to an average 12 Police Officers for the whole of 2001/2002.

5.2 Police Overtime

The overtime budget head submitted to the Scottish Executive has been reduced by £25,000 as part of the budget virement adjustments totalling £500,000.

5.3 Police Allowances

Based on the number of officers eligible to retire during 2001/2002, including those contained within the Pensions Provision it is estimated that an additional saving of £62,000 will be achieved in payment of housing/rent allowances as a result of officers retiring. With effect from September 1994 new recruits do not qualify for these allowances. A further saving of £80,000 mainly due to officers anticipated to retire in 2001/2002 has been identified as part of the budget virement adjustments totalling £500,000.

5.4 Police National Insurance

A saving of £30,000 has been identified as part of the budget virement adjustments totalling £500,000. No account has been taken of any potential impact arising from the Climate Change Levy which will be introduced in April 2001. It is anticipated that this change will mean an increase in energy and fuel costs but there will be a saving in national insurance costs. It will be necessary to carry out an exercise to determine the full impact of this change.

5.5 Pension Commutations

Police Officers may retire at any time after completing 25 years service but will not receive a pension until they attain the age of 50 or complete 30 years service.

An officer may voluntarily surrender a portion of a retirement pension or ill health award and receive in lieu thereof a lump sum. No more than one quarter of the pension may be commuted.

In 1995/96 the cost of pensions commutations and ill health retirals was £3,005,000 while in 1996/97, 1997/98, 1998/99 and 1999/2000 the comparative figures were £1,858,000, £2,229,000, £2,379,000 and £2,500,000 respectively. This reflects the fact that a number of officers who were eligible to retire by 31 March in each year in fact elected to remain in service and highlights the volatility of annual costs under this heading.

The ability of forces in Scotland to now make a pension provision for these officers (albeit subject to a limit of 3% of Police Grant) greatly assists in smoothing out the fluctuations which arise in pension commutations costs. In 1999/2000 the force was able to provide for a significant proportion of this future liability by maintaining a pension provision which totalled £1,971,000 at 31 March 2000. The ability to create such a provision has already been reflected in the 2000/2001 budget for pension commutations and will continue to have a favourable impact on the budget exercise so long as the provision can be maintained.

The budget provision for 2000/2001 is £1,356,000 plus the pension provision of £1,971,000 and it is anticipated at this time that this combined sum of £3,327,000 will be sufficient to contain the cost of all those eligible to retire at 31 March 2001.

The 2001/2002 Provisional Revenue Budget makes a provision of £2,234,000 for all officers eligible to retire after allowing for those previously provided for by way of a Pensions Provision. Added to this sum is provision for the cost of ill health retirals of £638,000 which is greater than the sum provided in the budget for the last three years.

However it should be noted that the estimated cost of ill-health retirals in 2000/2001 is in the region of £900,000 which further emphasises the volatility of expenditure in this area. Any increase in the level of provision for ill-health retirals would require to be met by increasing the slippage factor for police officers. Given the volatility of this budget head it is proposed to monitor the costs carefully throughout the year taking any corrective action necessary to ensure the overall revenue budget remains within the cash limit.

By creating a Pensions Provision the pensions liability for these officers is effectively "ring-fenced" which in turn reduces the opportunity to fund any ill health retirals from slippage in normal retirals.

5.6 Monthly Pensions

It is estimated that monthly pensions will increase by £797,000 as a result of police officers who will retire in 2000/2001 and 2001/2002 (part year effect only) including those contained within the Pensions Provision. This figure has been reduced by £50,000 as part of the budget virement adjustments totalling £500,000. Monthly pensions are estimated to increase by 3.5% with effect from 1 April 2001 resulting in a total estimate of £9,903,000 in 2001/2002. This estimate also allows for the average number of retired officers who die each year.

5.7 Full Year Effect of 2000/2001 Pay Inflation

The 2000/2001 pay award for police officers was 3.0% from 1 September 2000 and the full year effect of this, based on the estimated number of police officers in post adds a further £365,000 to pay costs.

5.8 Pay Increments

The estimated cost to the force of pay increments in 2001/2002 amounts to £270,000 for police officers and £57,000 for support staff. It should be noted that one of the effects of the 1996 pay settlement for police officers was to increase the number of pay points in most ranks which causes a longer tail increment impact.

5.9 CCTV Operators

In **2000/2001** the estimated cost of employing CCTV operators (£449,000) was transferred on a one year assurance only basis from the constituent councils to Tayside Police with the councils meeting their share of the net costs after deduction of specific police grant. The equivalent cost in 2001/2002 of employing CCTV operators is £462,000 and while these costs have been included in the Provisional Revenue Budget for 2001/2002 the ability of the Force to meet this additional burden is dependent upon the level of resources allocated to it.

5.10 Support Staff Pays

The budget for Support Staff pay costs is based on current establishment but makes provision of £135,000 for slippage in filling vacant posts to accommodate part funding for CCTV Operator costs in the three constituent Councils. This equates to an average 10 support staff for the whole of 2001/2002 and is in line with the slippage applied in 2000/2001.

5.11 Superannuation

Notification of an increase in the employer's contributions to the Superannuation fund for Support staff as been received. With effect from 1 April 2001 the employer's contribution will increase to 12.6% for APT&C staff and 10.5% for manual workers which equates to 210% of the employee's rate. The rates applied in 2000/2001 were 10.8% and 9% respectively. The increased cost of applying this increase rate prior to pay inflation for 2001/2002 is £141,000.

5.12 Revenue Implications of Agreed Committee Reports

The revenue implications arising from reports submitted to and agreed by the Board amount to £151,000 in respect of various property costs (£96,000) and IT, vehicles and other equipment maintenance costs (£55,000). This amount has been added to the Base Budget for 2001/2002.

5.13 Property Costs

Exemption from non-domestic rates for Crown Properties ceased with effect from 1 April 2000 and provision was made within the 2000 /2001 GAE for this added burden. The estimated cost to the Force in 2001/2002 is £914,000 including provision for non-domestic rates on the Operational Buildings and proposed Forensic Mortuary facilities of approximately £100,000. Within the remaining property costs budget, allowance of £38,000 has been made for the greater than projected increase in water and sewerage rates in 2000/2001 and in anticipation of a higher than general inflation increase in 2001/2002.

A reduction of £50,000 has been identified in this budget in recognition that slippage in the Operational Buildings/Forensic Mortuary project will impact on the costs actually incurred in 2001/2002. This has been applied as part of the budget virement adjustments totalling £500,000.

5.14 Transport Costs

An allowance of £43,000 has been made in respect of increased fuel costs although it should be noted that costs in 2000/2001 are projected to be in excess of £100,000 over budget. This budget head is to be closely monitored in 2001/2002 with a view to determining what action can be taken to mitigate the potential overspend in this area.

5.15 Third Party Payments (Non Grant Earning)

The budget for Common Police Services has yet to be finalised, however it should be noted that this budget is under considerable pressure from imposed significant increases in the cost of providing national and international services to police forces. Provisional figures indicated the increase in Common Police Services costs to local authorities could increase by over 15% next year. Following discussions between the Scottish Executive and the Scottish Police Conveners Forum attempts have been made to mitigate this increase by transferring liability for certain cost categories within Common Police Services to the Scottish Executive.

While figures have yet to be finalised, indications are that any increase to local authorities in respect of Common Police Services will be no greater than the overall increase in the Police GAE ie. 6% and in the interim the sum of £1,082,000 has been included in the 2001/2002 Provisional Revenue Budget (which represents a 6% increase on the 2000/2001 figure of £1,021,000).

5.16 Other Income

An increase of £25,000 has been applied to this budget head as part of the budget virement adjustments totalling £500,000.

5.17 Inflation

The following inflation factors and consequent costs have been taken into account in preparing the provisional revenue budget. These reflect the projected rates contained within the Scottish Police Service document to the Scottish Executive.

1. Police pays 3.0% from 1.09.2001	£ 604,000
2. Monthly pensions 3.5% from 1.04.2001	337,000
3. Support staff pays 3.0% from 1.09.2001 (See Note)	169,000
4. General Inflation 2.0% from 1.04.2001	133,000
5. Pension income 3.0% from 1.09.2001	(58,000)
6. Other income 2.0% from 1.04.2001	(49,000)
	£1,136,000

(Note : The 2000/2001 pay award for Support Staff has not yet been agreed).

5.18 Loan Charges

It is estimated that loan charges arising from approved capital expenditure will be approximately £1,504,000 in 2001/2002. These charges have been calculated using the annuity method of repaying debt (Report No. PB 1/1997 refers).

This represents an increase of £214,000 over the figure contained within the 2000/2001 Revenue Budget due to additional capital expenditure incurred particularly in respect of the Operational Buildings/Provision of Forensic Mortuary Facilities project.

5.19 Interest on Revenue Balances

The Provisional Revenue Budget takes no cognisance of interest which may be earned on revenue balances in 2001/2002 which is estimated to be £200,000. At present no facility exists for Joint Police Boards to carry working balances, and discussions will therefore be required regarding utilisation of the estimated sum of £200,000 from interest earned on revenue balances. The options are to return these monies to the Constituent Councils or retain the sum as a working balance should the restriction preventing Boards from carrying working balances be removed.

6. CONCLUSION

- 6.1 The estimated cost of operating Tayside Police in an effective and efficient manner is £61.312 million (excluding the cost of ill health retirals and funding for additional officers) as per the budget estimate submitted to the Scottish Executive.
- 6.2 The Minister for Finance has announced total GAE figures of £786.5 million (excluding funding for additional officers) for the Police Service with an allocation of £61.450 million to Tayside Police. This sum is designed to meet the needs of the Force and make a contribution to meeting the costs of ill health retirals. In the case of Tayside this contribution amounts to £138,000.
- 6.3 The Provisional Revenue Budget figures exclude any allowance for interest earned on revenue balances. It is estimated this could generate £200,000 in 2001/2002 and there is a requirement to make a decision on whether this sum is to be returned to the Constituent Councils or retained by the Board as a working balance.

- 6.4 It is recommended that the Finance Sub-Committee agree the **2001/2002** Provisional Revenue Budget which is in line with the GAE announcement and refer the budget to a special meeting of the Board for final determination.

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