

TAYSIDE JOINT POLICE BOARD

29 January 2001

Joint Report by the Chief Constable and Treasurer No. PB 4/2001

SUBJECT: THREE YEAR REVENUE BUDGET 2001/02 – 2003/04

Abstract: This report provides the Board with Provisional Revenue Budget figures for the financial years 2002/2003 and 2003/2004 which together with the 2001/2002 Final Revenue Budget form the basis of the Board's Revenue Budget for the three year period

1. RECOMMENDATION

1.1 It is recommended that the Board:

- (a) note the Provisional Revenue Budget figures for the financial years 2002/2003 and 2003/2004 which are in line with the Grant Aided Expenditure settlement levels for the respective years as outlined in paragraph 5 of this report; and
- (b) note that because there is insufficient provision within the Grant Aided Expenditure settlements for ill health retirals achievement of these budget targets will only be possible by carrying out budget virement adjustments which will impact on other budget heads
- (c) agree to provide details of the requisition levels outlined in paragraph 6 of this report to the constituent Councils to assist them in preparation of their three year revenue budgets and setting of provisional Council Tax figures for this three year period
- (d) note that these requisitions provide for the projected interest on revenue balances in 2002/2003 and 2003/2004 to be returned to the Constituent Councils and that any variation to the projected figures for interest on revenue balances will result in an amendment to these requisitions.

2. BACKGROUND

2.1 Reference is made to Report No. PB 3/2001 – '2001/2002 Revenue Budget' which is also being considered by the Board at this meeting. Attached to Report No. PB 3/2001 is a copy of Report No. PB 60/2000 – '2001/2002 Provisional Revenue Budget' which sets out the principles adopted in preparing the 2001/2002 Provisional Revenue Budget and the main features of the Budget. These reports provide useful background information which is also relevant to the preparation of the 2002/2003 and 2003/2004 Provisional Revenue Budgets.

- 2.2 Reference is also made to correspondence from the Police Division of the Scottish Executive dated 7 December 2000 which set out the maximum level of expenditure to be supported by Police Grant for each force over the three year period 2001/2002 to 2003/2004. These figures (previously referred to as Grant Aided Expenditure) excluded loan charges, CFCR, the Board's share of Common Police Services, other non grant earning expenditure and funding for the additional officers announced in May 2000 and are as follows:

	£000
2001/2002	61,450
2002/2003	63,484
2003/2004	64,666

- 2.3 Prior to the announcement of these figures the Scottish Executive requested details of forces' proposed budgets for 2001/2002, 2002/2003 and 2003/2004 produced in a consistent manner. The budgets submitted by Tayside Police to the Scottish Executive represented in the view of the Chief Constable the sums necessary to police the area of Tayside efficiently and effectively. These sums which excluded loan charges, CFCR, the Board's share of Common Police Services, other non grant earning expenditure, any provision for ill health retirals and any funding for additional officers were as follows:

	£000
2001/2002	61,312
2002/2003	63,269
2003/2004	65,024

3. COMPARISON BETWEEN FORCE AND GAE FIGURES

3.1 Contribution to Ill Health Retirals

	2001/2002 £000	2002/2003 £000	2003/2004 £000
Net Budget Expenditure (GAE Basis)	61,312	63,269	65,024
GAE	61,450	63,484	64,666
Contribution to Ill Health Retiral Costs	138	215	(358)

Note: In 2003/2004 there is a shortfall of £358,000 before any allowance is made for ill health retirals

- 3.2 The projected cost of ill health retirals is estimated to be £638,000 in 2001/2002 and £600,000 for the following two years. This means that Budget Virement Adjustments as detailed overleaf will be necessary to provide for ill health retirals if the budget is to be within the maximum level of expenditure supported by police grant

	2001/2002 £000	2002/2003 £000	2003/2004 £000
Net Budget Expenditure (GAE Basis)	61,312	63,269	65,024
Add:			
Estimated cost of ill health retirals	<u>638</u>	<u>600</u>	<u>600</u>
	61,950	63,869	65,624
Less:			
Budget Virement Adjustments	(500)	(385)	(958)
GAE	61,450	63,484	64,666

This highlights a significant problem which will exist in 2003/2004 unless GAE is increased to meet the estimated cost of running the Force. If this does not occur, corrective action will be required which may impact adversely on service delivery in 2003/2004. However, if proposals to allow Joint Police Boards to carry working balances are in place by this time an opportunity may exist to mitigate the impact of this shortfall through flexible treatment of any year end balances.

4. MAIN FEATURES WITHIN THE BUDGETS

4.1 Police Pay

The budgets submitted to the Scottish Executive provided for full net establishment allowing for recovery of full pay for seconded officers. It is likely however as part of the budget virement adjustments to meet the projected cost of ill health retirals that slippage in filling vacant police officer posts will be applied in 2002/2003 and 2003/2004. In 2001/2002 provision of £240,000 was made for slippage which equates to an average 12 police officers for the whole of 2001/2002.

4.2 Police Allowances

Housing/rent allowances have been reduced by £37,000 in 2002/2003 and £40,000 in 2003/2004 based on the number of officers estimated to retire in each of these years.

4.3 Pension Commutations

Based on the estimated number of officers eligible to retire in 2002/2003 and 2003/2004 provisions of £1,510,000 and £1,860,000 have been made respectively.

4.4 Ill Health Retirals

The provisions for pension commutations exclude ill health retirals and these have been estimated at £600,000 per annum in 2002/2003 and 2003/2004. This compares with the estimate of £638,000 for 2001/2002.

4.5 Monthly Pensions

Based on the number of officers estimated to retire over the period 2000/2001 to 2003/2004 it is estimated monthly pensions will increase by £949,000 (9.53%) over the two year period against the projected figure for 2001/2002.

4.6 Support Staff Pay

The budgets for Support Staff pay costs are based on current establishment but make provision of £140,000 in 2002/2003 and £145,000 in 2003/2004 for slippage in filling vacant posts to accommodate part funding of CCTV Operator costs in the three constituent Councils. This equates to an average 10 support staff for the whole of these years and is in line with the slippage applied in 2001/2002.

4.7 **Third Party Payments (Non Grant Earning)**

The budget for the Board's share of Common Police Services has been increased in line with the increase in the overall Police GAE for the relevant years to £1,131,000 (4.53%) in 2002/2003 and £1,163,000 (2.85%) in 2003/2004. Other non grant earning expenditure has been increased by 2.5% per annum to £180,000 in 2002/2003 and £185,000 in 2003/2004.

4.8 **Inflation**

The following inflation factors have been applied in preparing these Provisional Revenue Budgets

	2002/2003	2003/2004
1. Police Pays from 1 September	4%	3%
2. Monthly Pensions from 1 April	3%	3%
3. Support Staff Pays from 1 September	4%	3%
4. General Inflation from 1 April	2.5%	2.5%
5. Pension Income from 1 September	4%	3%
6. Other Income from 1 April	2.5%	2.5%

4.9 **Loan Charges**

Loan charges have been estimated at £1,558,000 in 2002/2003 and £1,703,000 in 2003/2004 based on the AEF support figures provided by the Economic Advice and Statistics Division of the Scottish Executive.

4.10 **Interest on Revenue Balances**

Interest on Revenue Balances have been projected at £200,000 per annum for 2002/2003 and 2003/2004.

5. NET REVENUE BUDGET FOR THREE YEAR PERIOD

5.1 After taking the foregoing into account and providing for items excluded from GAE the net revenue budget for the three year period 2001/2002 to 2003/2004 is summarised below.

	2001/2002 £000	2002/2003 £000	2003/2004 £000
GAE (as per Scottish Executive)	61,450	63,484	64,666
Add: CFCR	150	150	150
Add: Capital Financing Costs	1,445	1,558	1,703
	—	—	—
Eligible Expenditure for Grant Purposes	63,045	65,192	66,519
Less: Police Grant @ 51%	(32,153)	(33,248)	(33,924)
Add: Non-Grant Earning Expenditure	1,258	1,311	1,348
Less: Interest on Revenue Balances	(200)	(200)	(200)
	—	—	—
REQUISITION LEVEL	31,950	33,055	33,743
Add: Police Grant	<u>32,153</u>	<u>33,248</u>	<u>33,924</u>
NET REVENUE BUDGET	<u>64,103</u>	<u>66,303</u>	<u>67,667</u>

6. CONSTITUENT COUNCIL REQUISITIONS

	Angus £000	Dundee £000	P&K £000	Total £000
(a) <u>2001/2002</u>				
Requisition Level				31,950
Less:				
Net CCTV Costs				(226)
	7,741	14,403	9,580	31,724
Add:				
Net CCTV Allocation	<u>77</u>	<u>91</u>	<u>58</u>	<u>226</u>
Total Requisition Level	<u>7,818</u>	<u>14,494</u>	<u>9,638</u>	<u>31,950</u>
(b) <u>2002/2003</u>				
Requisition Level				33,055
Less:				
Net CCTV Costs				(235)
	8,008	14,900	9,912	32,820
Add:				
Net CCTV Allocation	<u>80</u>	<u>96</u>	<u>59</u>	<u>235</u>
Total Requisition Level	<u>8,088</u>	<u>14,996</u>	<u>9,971</u>	<u>33,055</u>

(c) <u>2003/2004</u>				
Requisition Level				33,743
Less:				
Net CCTV Costs				<u>242</u>
	8,174	15,210	10,117	33,501
Add:				
Net CCTV Allocation	<u>82</u>	<u>99</u>	<u>61</u>	<u>242</u>
Total Requisition Level	<u>8,256</u>	<u>15,309</u>	<u>10,178</u>	<u>33,743</u>

7. CONCLUSION

- 7.1 The net revenue budgets for 2002/2003 and 2003/2004 which are in line with the GAE settlements for the respective years as outlined in paragraph 5 and the requisition figures outlined in paragraph 6 remain provisional at this time and further analysis of the figures will be required prior to setting the budgets for the relevant financial years.
- 7.2 Setting the revenue budgets at GAE level for the three year period 2001/2002 to 2003/2004 will set the Force difficult financial targets to achieve and because there is insufficient provision within the GAE settlements for ill health retirements achievement of these budget targets will only be possible by carrying out budget virement adjustments which will impact on other budget heads. Unless GAE for 2003/2004 is adjusted significantly upwards these budget virement adjustments may impact adversely on service delivery in 2003/2004 although there may be the opportunity to mitigate the impact of this shortfall if proposals to allow Joint Police Boards to carry working balances are in place by that time.

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