

# NORTHERN JOINT POLICE BOARD

## Finance and Policy Working Group

9 January 2009

Agenda Item	
Report No	

### REVENUE BUDGET 2009/2010

#### Report by the Chief Constable

#### **SUMMARY**

To present to the Finance and Policy Working Group a draft budget for 2009/2010 and ask that this be approved for presentation to the full meeting of the Northern Joint Police Board.

#### **BACKGROUND**

This report with attached appendices represents Northern Constabulary's proposal for its Revenue budget for the financial year 2009/2010. The budget presented reflects an increase of 1.7% over 2008/2009, with the budget breakdown across expenditure categories detailed at Appendix 1.

This budget has been built on the basis that £2.256m will transfer to the Scottish Police Services Authority (SPSA) for the provision of ICT services. The 2008/2009 budget within the appendices has been adjusted to reflect this transfer in the current financial year and allow a like for like comparison with 2009/2010.

A roll forward estimate for 2010/2011 is shown within Appendix 1. At this stage this is provided for information and is subject to the same general assumptions as 2009/2010. The actual budget presented for 2010/2011 could be substantially different dependent upon the outcome of discussions around the centralisation of Police Officer pensions. Additionally the Independent Review of Policing may also impact.

#### **Staff Costs**

Staff cost budgets have been prepared taking into account all incremental payments due during the 2009/2010 financial year and building in pay awards of 3% for police staff and 2.5% for Police Officers, both from 1 September 2009.

Full year salary budgets for 730 whole time equivalent (WTE) Police Officers and part year costs for a further 25 wte Police Officers have been incorporated into this submission. Additionally, by the end of 2009/2010 43 officers will be fully funded by the Scottish Government.

The costs and income for the 43 fully funded officers referred to above will fully offset each other.

## Pensions

The 2009/2010 requirement for Net Pension Costs is £8.684m. This represents a £374k (4.1%) reduction against 2008/2009. This equates to the following:

- provision not being built in for ill-health retirements for 2009/2010, whereas £250k was included within the budget for 2008/2009
- 5 fewer officers being eligible to retire in 2009/2010 against 2008/2009.

This budget includes the commutations for 17 officers eligible to retire during the 2009/2010 financial year. Recurring pension costs for officers eligible to retire in 2009/2010 have been included for 6 months of the year. Commutations have been included at the old commutation rate (rate pre 1 October 2007). Whilst the Scottish Government have agreed that they will fund the additional cost of these commutations, the finer details around how this will work for Police and Constituent Authorities has still to be worked through. The estimated additional cost of this change in 2009/2010 is £477k.

Pension contributions for all new officers have been built in at 9.5%. As the balance of officers on the old and new scheme shifts we will begin to see the impact on this in terms of income budgets.

The overall budget presented today details a gap within funding for pensions of £1.538m. However, anticipated additional Scottish Government funding in the order of £497k, and an expected share of the Pooling of Risk Benefit of £544k, will reduce this shortfall to £497k. Discussions have taken place between Constituent Authority Chief Executives and Directors of Finance and they were supportive of a budget level based upon full pension need. Board approval is therefore sought to set a budget based upon the full pension need, as presented within Appendix 1.

Should the pensions gap not be funded, an overspend on the budget will only be avoided by placing a significant impact on operational policing by way of a cap being placed on officer numbers. Based upon an officer at the mid point of the constable pay scale, this would mean a reduction of approximately 16 wte Police Officers.

## Non-Staff Costs

The following areas within non-staff costs will have a significant budgetary impact in 2009/2010:

- **Premises Costs** – this area of the budget is showing an increase of 12.6%. The main reason for this significant increase is due to the current Electricity provision contract coming to an end, with early indications suggesting a potential increase in costs of 70%. The transfer of Housing Stock will also result in an increase in Housing Allowances paid to police officers, but this will be offset by a reduction in the costs of maintaining Police Houses.
- **Transport Costs** – a 6.7% increase in this area of the budget is due to the increase in fuel prices.

- **Supplies & Services** – the increase within this area of the budget is slightly higher than the inflationary increase of 3.5% built in to most areas of supplies, due to the change in the mechanism of legal services provision. This service is now provided by an external provider; there are compensating savings in employee costs.

## **Income**

The income budget shows an increase of 6.1% on the 2008/2009 working budget figure. Income from Services of Police has been increased to better reflect the actual out turn in 2007/2008 and estimated out turn in 2008/2009. This takes into account income from a number of high-profile summer festivals and from ongoing support for the transfer of equipment required for wind farms.

## **Capital Grant**

In 2008/2009 Capital Grant formed part of the requisition from Constituent Authorities following the change to the funding mechanism. A paper is presented to this meeting from the Treasurer regarding the most appropriate way to facilitate this transfer. Capital Grant is therefore, at this stage, excluded from the requisition table presented at Appendix 3.

## **Requisition Table**

The requisition table prepared by the Treasurer is attached at Appendix 2. The table compares the proposed requisition for 2009/2010 with that set for 2008/2009.

### **RECOMMENDATION**

The Working Group is asked to consider the attached papers and recommend approval of the 2009/2010 budget to the Board.

**I Latimer**  
**Chief Constable**

22 December 2008

**NORTHERN JOINT POLICE BOARD  
REVENUE BUDGET 2009/10 including Capital Grant**

<b>SUMMARY BUDGET</b>	<b>2008/09</b>	<b>2009/10</b>	<b>Increase/ (Decrease)</b>	<b>Increase/ (Decrease)</b>
	<b>£</b>	<b>£</b>	<b>%</b>	<b>£</b>
<b>Police Budget</b>	<b>58,273,312</b>	<b>57,524,000</b>	<b>(1.29%)</b>	<b>(749,312)</b>
Loan Charges	2,042,197	1,836,000	(10.10%)	(206,197)
Capital Grant	1,485,000	1,411,000	-	-
<b>Budget after Capital Grant</b>	<b>61,800,509</b>	<b>60,771,000</b>	<b>(1.67%)</b>	<b>(1,029,509)</b>
Less 51% Police Grant	(29,668,389)	(28,441,170)	(4.14%)	1,227,219
Less 51% Police Grant - Loan charges	(1,041,520)	(936,360)	(10.10%)	105,160
<b>Budget to be met by Constituent Authorities</b>	<b>31,090,600</b>	<b>31,393,470</b>	<b>0.97%</b>	<b>302,870</b>

<b>REQUISITION ALLOCATION including capital Grant</b>	<b>2008/09 % applied</b>	<b>2008/09 £</b>	<b>2009/10 % applied</b>	<b>2009/10 £</b>	<b>Increase/ (Decrease) %</b>	<b>Increase/ (Decrease) £</b>
Highland Council	79.11%	24,595,350	79.19%	24,858,591	1.07%	263,241
Comhairle Nan Eilean Siar	8.77%	2,725,868	8.48%	2,663,090	(2.30%)	(62,778)
Orkney Islands Council	5.52%	1,715,259	5.90%	1,853,751	8.07%	138,492
Shetland Islands Council	6.61%	2,054,123	6.43%	2,018,038	(1.76%)	(36,085)
<b>Total Police Budget (Including Loans)</b>	<b>100.00%</b>	<b>31,090,600</b>	<b>100.00%</b>	<b>31,393,470</b>	<b>0.97%</b>	<b>302,870</b>

<b>REQUISITION ALLOCATION excluding Capital Grant</b>	<b>2008/09 % applied</b>	<b>2008/09 £</b>	<b>2009/10 % applied</b>	<b>2009/10 £</b>	<b>Increase/ (Decrease) %</b>	<b>Increase/ (Decrease) £</b>
Highland Council	79.11%	23,420,350	79.19%	23,742,591	1.38%	322,241
Comhairle Nan Eilean Siar	8.77%	2,595,868	8.47%	2,539,090	(2.19%)	(56,778)
Orkney Islands Council	5.52%	1,633,259	5.92%	1,775,751	8.72%	142,492
Shetland Islands Council	6.61%	1,956,123	6.42%	1,925,038	(1.59%)	(31,085)
<b>Total Police Budget (Including Loans)</b>	<b>100.00%</b>	<b>29,605,600</b>	<b>100.00%</b>	<b>29,982,470</b>	<b>1.27%</b>	<b>376,870</b>

**Requisition Allocation**

Shows each constituent authorities' share of the budgeted expenditure and compares it with the previous year  
The requisition split is based on the approved Montgomery Allocation and is based on the out-turn for 2007-08