

NORTHERN JOINT POLICE BOARD

Finance and Policy Working Group

15 January 2010

Agenda Item	
Report No	

REVENUE BUDGET 2010/11

Report by the Chief Constable

SUMMARY

To present to the Finance and Policy Working Group a proposed revenue budget for 2010/11 and seek approval to progress this to presentation at the 29 January 2010 meeting of the Northern Joint Police Board.

BACKGROUND

In November 2009 the Finance and Policy Working Group and the full Northern Joint Police Board were presented with a draft budget for the 2010/2011 financial year. This budget was built around assumptions and discussions which had previously taken place with Chief Executives and Directors of Finance of the 4 Constituent Authorities.

In the period since these discussions and meetings revised arrangements for the funding of Police Officers Pensions have been finalised and other assumptions within the earlier budget have been updated. The budget presented to this meeting today has taken the budget presented in November and adjusted it in relation to updated information.

The proposed budget for 2010/2011 is presented at Appendix A. The proposed Total Budget has moved significantly from that presented in November and a reconciliation of the movements is detailed within Appendix B.

There are two main factors behind this movement:

1. **Pensions:** The first factor relates to the change to the funding mechanism for Police Officers' pensions. Members will be aware that discussions have now been ongoing for a considerable period of time in an attempt to find a funding mechanism which can deal with the annual fluctuations in pension costs borne by individual Forces. The revised mechanism to be put in place from 1 April 2010 will allow Forces to focus their budget setting and monitoring processes on elements over which they can exert a high level of control.

Pensions estimates provided as part of the 2007 Spending Review have formed the basis of the funding transfer. At that time the Force estimated a pension requirement of £8.041m for the 2010/2011 financial year. The Police Service in Scotland reviews these estimates on an ongoing basis and as such the indicative budget presented to the Board in November included an amount of £8.557m in respect of pension costs. The subsequent adjustment has

removed £7.523m from the Local Government settlement in respect of pension costs to be transferred – a difference of £1.034m.

This transfer level was to allow costs associated with Ill-Health/ Injury retirements to remain within Force (£518k). Members will, however, recall that over recent years the Force has not earmarked an amount within the revenue budget for such retirement costs and the Force has sought to fund these unplanned costs via transfers payments made from individuals transferring accumulated pension rights into the police pension scheme, any underspends on monthly pension costs and, if necessary, by generating efficiencies in the operational area of the Force budget. The revised arrangements will remove the first two of these funding options.

From the difference of £1.034m it is proposed that a budget of £650k be retained for potential ill-health/ injury retirements. If the budget is approved at the proposed level, this will allow £384k to be available to enhance the operational area of the budget. Utilisation of this funding will be discussed later in this paper.

2. **Ring-Fenced Revenue Funding:** The second factor relates to an uplift to the ring-fenced revenue funding available for the Police Service. Members will recall that the budget presented in November reflected an almost standstill funding position when compared to 2009/2010. This position was presented recognising the increasing financial pressures being faced by Constituent Authorities and the need to retail requisitions at the same level as 2009/2010. Subsequent to these earlier discussions final ring-fenced allocations have been released by the Scottish Government.

Based on these figures additional funding of £378k is available for Northern Constabulary. This funding all relates to notional Grant Aided Expenditure. Prior to the Concordat members will recall that overall funding for the Police Service was split on a fixed basis of 51% Police Grant and 49% from Constituent Authority requisitions. The Concordat removed this arrangement and gave Constituent Authorities more flexibility around funding whilst at the same time minimising any negative effect on the Police Service. Under the pre-Concordat arrangements, to utilise this £378k we would need agreement for additional requisitions of £363k – the Force is not seeking this additional level of requisitions. This increase in funding for 2010/2011 will have no impact on Constituent Authorities' requisitions. Appendix C details individual authority requisitions.

In summary, the two factors discussed above will provide an additional £762k for the Police Budget, excluding pensions.

Since the presentation of the indicative 2010/2011 budget in the autumn a number of cost factors have been revisited and the additional £762k available, due to the two elements discussed above, will be required to fund the following additional costs:

- i. Decrease in Interest on Revenue Balances (IORB) - over the last few years the Force has benefited from considerable income in respect of IORB. However, interest rates are now considerably lower and the latest estimates we have suggest that the level of income available will fall by £260k.

Members should also be aware that the transfer of the commutation element of reserves will impact on the level of IORB generated.

- ii. Members will also recall agreement at the last meeting of the Board to establish a research post within the Clerk's office at a cost of £40k – this was not previously included within budget estimates.
- iii. Funding arrangements for additional officers – the original assumption was based on full year funding for 11 officers during 2010/2011. Discussions in November 2009 suggest that funding will only be available for these officers for the later 6 months of the year. This will result in additional costs of £138k to maintain operational policing levels at 800 officers.

This will leave a balance of £324k unallocated. It is proposed that this funding be used to limit the reductions discussed at the Finance and Policy Working Group and the Board meeting in November.

The level of capital funding, once adjusted for steady state capital transferred to the Scottish Police Services Authority, has been at a level of £1.411m for the two years 2008/2009 and 2009/2010. It is proposed that capital funding to be drawn from Constituent Authority capital allocations be set at £1m for 2010/2011. This will allow the continuation of projects currently underway and a vehicle replacement programme. A detailed capital plan for 2010/2011 will be brought back to the next meeting of the Board.

A Requisition Table is presented at Appendix C. Members will note the comparison with the 2009/2010 requisition level. This reduction is due to the amendment mechanism for funding Police Officer Pensions. Other than this the requisition has been held at the level of 2009/2010 requisitions.

Members are asked to recommend the budget proposal detailed above and in the appendices to this report to the forthcoming Board meeting for approval.

Detailed monitoring reports and efficiency savings updates will be provided to each meeting of the Board.

RECOMMENDATION

The Working Group is asked to consider the attached papers and recommend to the Board approval of the draft 2010/11 budget.

I Latimer
Chief Constable
22 December 2009

NORTHERN CONSTABULARY 2010/2011 BUDGET PROPOSAL

Reconciliation between budget proposals of November 2009 and January 2010

Total Budget proposal as per November 2009 discussions	59,171
Pensions costs adjustment	<u>7,907</u>
	51,264
Additional funding released via changes to pensions funding	384
Additional funding released via uplifted Police Grant	378
Total Budget proposal January 2010	<u><u>52,026</u></u>

**NORTHERN JOINT POLICE BOARD
REVENUE BUDGET 2010/11 including Capital Grant**

SUMMARY BUDGET	2009/10	2010/11	Increase/ (Decrease)	Increase/ (Decrease)
	£	£	%	£
Police Budget	57,524,000	50,343,310	(12.48%)	(7,180,690)
Loan Charges	1,836,000	1,682,678	(8.35%)	(153,322)
Capital Grant	1,411,000	1,000,000	-	-
Budget after Capital Grant	60,771,000	53,025,988	(12.74%)	(7,745,012)
Less Police Grant	(29,377,530)	(26,718,000)	(9.05%)	2,659,530
				0
Budget to be met by Constituent Authorities	31,393,470	26,307,988	-16.20%	-5,085,482

REQUISITION ALLOCATION	2009/10	2009/10	2010/11	2010/11	Increase/ (Decrease)	Increase/ (Decrease)
including capital Grant	% applied	£	% applied	£	%	£
Highland Council	79.19%	24,858,591	79.33%	20,867,827	(16.05%)	(3,990,764)
Comhairle Nan Eilean Siar	8.48%	2,663,090	8.76%	2,306,097	(13.41%)	(356,993)
Orkney Islands Council	5.90%	1,853,751	5.37%	1,414,122	(23.72%)	(439,629)
Shetland Islands Council	6.43%	2,018,038	6.54%	1,719,943	(14.77%)	(298,095)
Total Police Budget (Including Loans)	100.00%	31,393,470	100.00%	26,307,988	-16.20%	-5,085,482

REQUISITION ALLOCATION	2009/10	2009/10	2010/11	2010/11	Increase/ (Decrease)	Increase/ (Decrease)
excluding Capital Grant	% applied	£	% applied	£	%	£
Highland Council	79.19%	23,742,591	79.33%	20,076,899	(15.44%)	(3,665,692)
Comhairle Nan Eilean Siar	8.47%	2,539,090	8.76%	2,218,216	(12.64%)	(320,874)
Orkney Islands Council	5.92%	1,775,751	5.37%	1,358,842	(23.48%)	(416,909)
Shetland Islands Council	6.42%	1,925,038	6.54%	1,654,032	(14.08%)	(271,006)
Total Police Budget (Including Loans)	100.00%	29,982,470	100.00%	25,307,988	-15.59%	-4,674,482

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 2008-09

The budgeted capital requisition is allocated across the constituent authorities on the same basis as 2009-10 capital allocations