

Public Document Pack



GRAMPIAN JOINT POLICE BOARD

To: Councillor Greig, Convener; and Councillors Al-Kowarri, Bell, Collie, Cox, Dunbar, Farquharson, Hendry, McGillivray, McKail, Mair, Penny, Shepherd, K Stewart and Webster.

Town House, ABERDEEN
13th January 2012

GRAMPIAN JOINT POLICE BOARD

Members of the **GRAMPIAN JOINT POLICE BOARD** are requested to meet on **FRIDAY, 20 JANUARY 2012 at 10.00 am** in **COMMITTEE ROOM 2, TOWN HOUSE, ABERDEEN.**

JANE G. MACEACHRAN
CLERK TO THE BOARD

BUSINESS

- 1 Apologies for Absence
- 2 Minute of Grampian Joint Police Board Budget Meeting - 21st January 2011 - For Information (Pages 1 - 6)
- 3 Proposed Revenue and Capital Budgets 2012/13 - Report from the Chief Constable and the Treasurer (Pages 7 - 44)
- 4 Prudential Indicators and Review of Treasury Management Governance Arrangements - Report from the Chief Constable and the Treasurer (Pages 45 - 66)
- 5 Police Reform - Report from the Depute Clerk (Report to Follow)

NOT FOR PUBLICATION

- 6 Proposed New Aberdeen Custody Suite - Report from the Chief Constable (Pages 67 - 74)

7 Staffing Matters - Report from the Depute Clerk (Report to Follow)

Website Address: www.aberdeencity.gov.uk/gjpb

Should you require any further information about this agenda, please contact Fiona Smith 01224 522516 or e-mail fsmith@aberdeencity.gov.uk

2012 Meeting Dates

Friday 20th January 2012 at 10am in Committee Room 2, Town House

Friday 23rd March 2012 at 10am in Committee Room 1, Woodhill House

Friday 8th June 2012 at 2pm in Committee Room 2, Town House (Training for new Board Members at 10am)

Friday 6th July 2012 at 10am in Committee Room 2, Town House

Friday 7th September 2012 at 10am in Committee Room 5, Woodhill House

Friday 2nd November 2012 at 10am Committee Room 2, Town House

GRAMPIAN JOINT POLICE BOARD

BUDGET MEETING

Committee Room 2, Town House, Aberdeen, 21st January 2011 - Minute of Meeting of GRAMPIAN JOINT POLICE BOARD.

Present:-

- Councillor Greig, Convenor
- Councillor Hendry, Vice-Convenor
- Councillor Shepherd, Vice Convenor
- Councillor Bell
- Councillor Collie
- Councillor Dunbar
- Councillor Farquharson
- Councillor Hood (as substitute for Councillor Howie)
- Councillor Leadbitter (as substitute for Councillor McGillivray)
- Councillor Lonchay (as substitute for Councillor Al-Kowarri)
- Councillor Mair
- Councillor McKail
- Councillor Penny
- Councillor K Stewart
- Councillor Webster

In Attendance:-

- Mr Colin McKerracher, Chief Constable, Grampian Police
- Mr John McNab, Deputy Chief Constable, Grampian Police
- Mr Billy Gordon, Assistant Chief Constable, Grampian Police
- Mr Colin Menzies, Assistant Chief Constable, Grampian Police
- Ms Karen Williams, Director of Corporate Services, Grampian Police
- Mr Gary Craig, Depute Director of Corporate Services, Grampian Police
- Chief Inspector Nick Topping, Staff Officer, Grampian Police
- Mr Barry Jenkins, Treasurer
- Ms Karen Donnelly, Depute Clerk
- Ms Fiona Smith, Aberdeen City Council

CONVENERS INTRODUCTION

The Convener sought approval from the Board to add an item to the agenda. This would be considered in private session and would be a verbal update from the Depute Clerk with respect to the Grampian Police and Grampian Joint Police Board Best Value Audit and Inspection report which had been considered by the Accounts Commission

at its meeting on 20th January 2011. The Board agreed to this additional agenda item being added.

The Convener welcomed Assistant Chief Constable Billy Gordon to his first meeting of the Board following his promotion as a Temporary Assistant Chief Constable with Grampian Police.

APOLOGIES FOR ABSENCE

1. Apologies for absence were intimated on behalf of Councillor Al-Kowarri, Councillor Howie, Councillor McGillivray, Jane MacEachran, Clerk, Mr Ian Robbie, Henderson & Loggie and Ms Karlyn Watt, Henderson & Loggie.

MINUTE OF GJPB BUDGET MEETING HELD ON 22ND JANUARY 2010

2. The Board had before it for information the Minute of the Board Budget Meeting held on 22nd January 2010.

The Board Resolved:

To note the minute.

PROPOSED REVENUE AND CAPITAL BUDGETS – 2011/12

3. The Board had before them a joint report by the Chief Constable and the Treasurer, presenting the proposed Revenue and Capital Budgets for 2011/12 and requesting that the Board set requisitions on the Board's Constituent Authorities, in accordance with the Grampian Combined Police Area Amalgamation Scheme.

The Treasurer introduced the report and advised that the Deputy Director of Corporate Services would provide a presentation which would set out the report in detail to the Board.

The Deputy Director of Corporate Services gave a detailed presentation to the Board summarising the detail of the report. He advised that the Comprehensive Spending Review (CSR) Announcement had provided for a one year budget and outlined the headline figures of this. Further budgetary pressures were also outlined and the combined overall budget reduction, in real terms, was stated to be £5.6m or 6%.

The presentation outlined the projected savings in 2010/11 and provided further information with respect to an on-going voluntary redundancy scheme for Police Staff. Options for savings in 2011/12, including a reduction in overtime, continued recruitment freeze for Police Officers and Police Staff, renegotiation of contracts, estate savings and supplies and services savings were also outlined.

The presentation also provided details of previous, current and budgeted overtime spend, an update with respect to Force Reconfiguration and details of the Impact and consequences of the proposed budget. Finally, an update with respect to the Scottish Government Efficient Government programme and with respect of the Capital budget was provided.

The Chief Constable concluded the presentation of the report by noting that Grampian Police recognise the current challenges facing the public sector with respect to funding. The budget process for 2011/12 had been particularly difficult and the Chief Constable welcomed the input Board Members have had to it. Grampian Police remain committed to strengthening local policing wherever possible and the budget presented for approval seeks to do this.

The Convener thanked Mr Craig for providing such an informative presentation and thereafter invited questions from Board Members.

Councillor Webster noted that the issue of Police Officer time spent in court is one which is out with the direct control of the Force or the Board. However, Councillor Webster requested that the Board take any possible action to seek progress on this matter. The Chief Constable advised that the Scottish Policing Board is presently seeking to progress matters relating to the modernisation of the Scottish criminal justice process and the Local Criminal Justice Board is doing likewise.

The Board agreed to instruct the Depute Clerk to write to the Scottish Policing Board and to the Grampian Local Criminal Justice Board to urge both bodies to prioritise progress with respect to matters of modernisation of the criminal justice process.

Councillor Hood sought further information with respect to the impact of restructuring to take account of reductions in Police Officer and Police Staff numbers on the effectiveness of the Force. The Chief Constable advised that restructuring is on-going within the Force to ensure that all available staff resources are deployed within Local Policing Teams in order to best benefit local communities.

Councillor McKail noted that it is regretful that Police Officer and Police Staff numbers are declining and sought assurance that the impact of these decreases on communities would be minimised. The Chief Constable concurred with the disappointment expressed and noted that the impact can now be accurately stated at present. The strategy of Grampian Police will be to be as visible and as accessible in local communities as possible in order to minimise potential impacts on communities and ensure that the Force are as effective as possible in reassuring local communities.

Councillor Bell suggested that the Board should seek to ensure that all reserves are maintained in Grampian, through the return of reserves to constituent local authorities should this be necessary, in light of the potential restructuring of policing in Scotland. The Chief Constable noted that any change to the structure of policing in Scotland

would be unlikely to take place until 2013. As such, this is not an issue that requires to be addressed at present but will require to be resolved at the appropriate time.

Councillor K Stewart noted that the Board require to give detailed consideration to the development of a long term financial planning strategy to support on-going improvements in service levels and current Police Officer and Police Staff numbers.

The Depute Clerk advised that the Budget Working Group had previously been tasked with this role and that arrangements would be made in due course for this matter to be progressed.

Councillor Hendry requested further details with respect to proposed savings from changes in the use of Police Surgeons and with respect to the use of Regulation A19 in Grampian.

The Chief Constable advised that, at present, there was no need to the Force to consider use of Regulation 19 as the vast majority of Officers who have reached 30 years service have made known their plans for retirement. Should this position change then the Force will bring a report to the Board for consideration.

With respect to Police Surgeons, Assistant Chief Constable Colin Menzies advised that this matter has been under consideration for some time and negotiations are on-going with NHS Grampian regarding the transfer of the responsibility for medical care for custodies being transferred to it. However, it was also reported that this may not realise a saving for the Force as the existing funding allocation may be transferred to the NHS also.

Councillor Farquharson noted that the thorough budget process conducted was welcome. He requested further information with respect to the impact of major new developments on Grampian Police. The Chief Constable advised that these issues are highlighted for information only at this time. The impact of these on Grampian Police will not known until further progress is made on these issues.

The Convener questioned what impact any move to a Single Scottish Police Force would have for policing in Grampian. The Chief Constable advised, that in his view, such a change would require to ensure that local demand and need could be met, however the forecast savings being mentioned at present can only be achieved if a large decrease in Officer and Staff numbers is made and, as such, this may have an negative impact on policing in Grampian.

Councillor Hood noted that the 2010/11 Capital Budget is under spent and requested further information on the impact of this in 2011/12. The Deputy Director of Corporate Services advised that discussions were on-going regarding this with the three constituent local authorities and he was hopeful that this under spend would be returned to the Force by the local authorities on 1st April 2011 as has happened in previous years.

The Convener noted that no budget had been set aside for the Summit on Gypsy Travellers that the Board previously agreed should take place. The Depute Clerk advised that discussions had taken place with GREC who would be able to organise and facilitate this summit. It was noted that the summit would take place in the 2010/11 financial year and, as such, was not directly relevant to the budget being considered. It was agreed that a budget of up to £2,000 should be set aside for the Board for this summit and that the Board should ask GREC to progress the organisation of this event to be held in March 2011.

The Convener noted that an incredible amount of effort had been made by Grampian Police staff, the Treasurer and his staff and Board Members in preparing the 2011/12 budget and expressed his thanks to all who were involved. He noted that the budget presented ensured that the Force would continue to address the Board's priorities and welcomed the continued commitment of the Force to prioritising local policing.

The Board resolved:-

- (i) To approve the Revenue Budget for 2011/12;
- (ii) To approve the updated medium term policy on Reserves and Balances
- (iii) To approve the proposed Capital Budget for 2011/12 including some provisional sums pending further prioritisation and consideration of detailed submissions and business cases
- (iv) To approve the requisitions on the Board's Constituent Local Authorities, in accordance with the Grampian Combined Police Area Amalgamation Scheme.
- (v) To instruct the Clerk to write to the Scottish Policing Board and to the Grampian Local Criminal Justice Board to urge both bodies to prioritise progress with respect to matters of modernisation of the criminal justice process.
- (vi) To instruct the GJPB Budget Sub Group to give consideration to the development of a long term financial planning strategy for Grampian Police and to report back to the Board in due course.
- (vii) To approve a budget of up to £2,000 for the Summit on Gypsy Travellers in the North East from the 2010/11 budget and to agree that this Summit should take place in March 2011 and should be facilitated by GREC.

POLICE APPEALS TRIBUNAL

4. The Board had before it a report from the Clerk which advised the Board of an appeal to a Police Appeals Tribunal received and sought approval for the appointment of the Tribunal.

The Depute Clerk introduced the report and advised that, following receipt of an appeal to the Police Appeals Tribunal, the report outlined the procedural measures necessary in order to facilitate this process. The report detailed the Members identified as willing to sit on the Tribunal and sought the Board's approval of these appointments. In

addition, the Board require to formally appoint a Registrar and Depute Registrar for the Tribunal in order that necessary arrangements can be made.

The Board Resolved:-

- (i) To appoint the Clerk to the Board as Registrar to the Police Appeals Tribunal
- (ii) To appoint the Depute Clerk to the Board as the Depute Registrar to the Police Appeals Tribunal
- (iii) To appoint Councillor Martin Greig, Sir William Rae, Mr John Finnie and Mr Stuart Gale QC to this Police Appeals Tribunal.

EXEMPT INFORMATION

Prior to considering the remaining items of business the Board resolved that in terms of section 50 A (4) of the Local Government (Scotland) Act 1973 that the public be excluded from the meeting during the consideration on the items on the grounds that it was likely, in view of the nature of proceedings, that if members of the public were present during the consideration of these items that there would be a disclosure to them of exempt information as defined in paragraph 1 of part 1 of schedule 7 A of the said Act.

GRAMPIAN POLICE AND GRAMPIAN JOINT POLICE BOARD BEST VALUE AUDIT AND INSPECTION

5. The Depute Clerk provided a verbal report to Members regarding the Accounts Commission meeting during which it received a report from Audit Scotland and HMICS regarding the outcomes of the Grampian Police and Grampian Joint Police Board Best Value Audit and Inspection. The Depute Clerk advised that the findings of the Accounts Commission will be published in late February 2011 and that a full report will be brought to the Board in March 2011 outlining a proposed Action Plan for addressing the recommendations detailed in the report.

The Board Resolved:

To note the report.

COUNCILLOR M GREIG - Convenor



COMMITTEE: GRAMPIAN JOINT POLICE BOARD

DATE: 20 JANUARY 2012

TITLE OF REPORT: PROPOSED REVENUE AND CAPITAL BUDGETS 2012-13

1. PURPOSE OF REPORT

- 1.1 To present to the Board for its consideration, the proposed Revenue and Capital Budgets for 2012-13 and to set requisitions on the Board's Constituent Authorities, in accordance with the Grampian Combined Police Area Amalgamation Scheme.
- 1.2 To assist members, below is a list of Appendices referred to within this report:

Appendix A: Revenue Budget Monitoring Report 2011-12 (up to 31/12/11)

Appendix B: Summary Capital Funding 2011-15

Appendix C: Summary Proposed Revenue Budget/Reserves 2012-13

Appendix D: Detailed Proposed Revenue Budget 2012-13

Appendix E: Capital Plan 2012-13 and beyond

Appendix F: Local Authority Draft Requisitions 2012-13

Appendix G: Glossary

2. RECOMMENDATION(S)

- 2.1 The Board is requested to consider and approve the following:

The proposed Revenue Budget for 2012-13.

The refund of £1.2m to the Constituent Authorities through a reduced requisition for 2011-12.

The carry forward of unspent Capital Grant funding for 2011-12 into 2012-13, by the Constituent Authorities.

The postponement of the Voluntary Redundancy Scheme for 2011-12.

The continuation of the Cadet Scheme for a further year.

The updated medium term policy on Reserves and Balances, including a plan to utilise some revenue reserves and the balance of capital receipts.

The proposed Capital Budget for 2012-13 which includes some provisional sums pending further prioritisation and consideration of the detailed submissions and business cases.

The requisitions on the Board's Constituent Authorities, in accordance with the Grampian Combined Police Area Amalgamation Scheme.

3. FINANCIAL IMPLICATIONS

- 3.1 As this is the annual budget report, all the financial implications are set out in the body of the main report.

4. SERVICE & COMMUNITY IMPACT

- 4.1 Given the 'flat cash' settlement for the coming year and the savings already achieved by the Force during the last few years, the budget proposed for 2012-13 will ensure that wherever possible, current performance levels will be maintained or enhanced and front line service delivery will continue to be the priority. With the move to a Single Force expected in just over 12 months, the Board have previously agreed to support the Force in its efforts to maximise operational capacity and continue to enhance or develop facilities ensuring that come the transfer, policing in the North East is as efficient and effective as possible.

5. OTHER IMPLICATIONS

- 5.1 All other implications are set out in the main body of the report.

6. REPORT

FINANCIAL OVERVIEW

- 6.1 Since the Force previously set out the budget strategy for 2011-12, there have been a number of key decisions taken that have impacted upon the spending programme for this financial year and will influence the budgets for 2012-13 and the structure of Policing across Scotland sometime during the financial year 2013-14 and beyond.
- 6.2 On 21 January 2011, the Force presented to the Board budget proposals for the current financial year (2011-12) and some longer term savings options for the period beyond. The Scottish Government had published a one year Spending Review for 2011-12, and intimated that funding for a range of public bodies, including Scottish Police Forces, would reduce both in real and cash terms during the next 4 to 5 years. The actual budget reduction for 2011-12 equated to a cut of nearly 6% in real terms, compared to the previous financial year. With similar cuts expected during 2012-13 and subsequent years, the Force put forward a plan as to how it would continue to maximise its operational capacity, albeit with significant reductions in cash funding.
- 6.3 Since those plans were approved, a number of those cost reduction measures have been implemented. Although Police Officer and Police Staff numbers have been reducing this financial year, as per the approved budget proposals,

the intention has been to manage the process in order to ensure that operational capacity is maintained or enhanced across front line policing. The Force has also generated cashable savings across a range of budget lines, with a view to reducing the underlying costs of the Force. Some of these benefits will accrue over the medium to long term.

- 6.4 The Scottish Government recently published its future spending plans detailed within the Scottish Spending Review 2011 and Draft Budget 2012-13. This included indicative budgets for the period 2012-13 through to 2014-15. Whilst the Scottish Government had previously intimated that Forces would see significant reductions to the core funding provided in 2012-13 and beyond, it has since decided to maintain core Police funding for 2012-13 at similar cash levels to those awarded in 2011-12. Further details of the Spending Review are included within paragraphs 6.27-6.33.
- 6.5 Since the announcement of this year's Spending Review (2011), there has been a meeting of the GJPB Budget Sub-Group, which considered a range of budgetary issues. Consequently, the proposals for 2012-13 which are included in this Report, are based upon those matters considered and discussed by the Group.
- 6.6 The Scottish Government also confirmed that the reform of Policing within Scotland would result in the creation of a single Force (referred to as the Scottish Police Service). A Consultation Paper and Outline Business Case were published to coincide with the Justice Secretary's statement with the intention of seeking views as to how the new Force should be structured and operate.
- 6.7 The single Police Force will bring about fundamental changes to the structure, governance and financing of Police Forces as they currently exist. The new single Force is likely to be created some time during 2013-14, and as such it is important that Grampian Police continues to operate in an efficient and effective manner within the financial constraints of the approved budget during the intervening period. It is unclear at this stage whether or not the Board will only be asked to approve a budget for 2012-13, or will be required to approve a further budget for 2013-14 that is managed locally until such time as the new Scottish Police Service's budget is agreed.
- 6.8 Until further details are published, the Force has put forward specific budget proposals only for 2012-13, albeit it has provided indicative figures for 2013-14 and beyond for capital expenditure given the longer term nature of this spend.

REVENUE BUDGET 2011-12

- 6.9 The budget monitoring statement for the Force, for the period to 31 December 2011, is shown at Appendix A. This outlines the overall budget, actual spend to 31 December 2011, and the projected out-turn for the financial year 2011-12.

6.10 The Force is currently projecting an underspend of just under £2m against a net revenue budget of £113.755m, with savings accruing against most budget lines. If this was to continue to the year end, the balance of reserves would increase from just under £3.9m to nearly £6m.

6.11 As a result of the continued growth in budget savings, the Force has sanctioned additional spend against a small number of budget lines with a view to maximising policing capacity over the next few years. However, even with this increased investment and additional spend, there is a possibility that further budget savings will accrue as more Police Staff leave or retire prior to the end of this financial year.

Police Officer Numbers 2011-12

6.12 The number of Police Officers leaving the Force this year is likely to exceed the original planning assumption, most likely a combination of pending increases to pensions as well as the uncertainty cause by Police Reform. As a result, the Force has had to commence a recruitment programme to increase Police Officer numbers earlier than expected. Whilst the Force will seek to achieve the baseline figures (set down by the Scottish Government) this financial year, the intention is to be safely above the baseline during 2012-13. Details of this proposal will be set out later in this report, as part of the overall budget proposal for 2012-13.

6.13 The total number of Police Officers in Force at the end of December 2011 was 1,525 (1,485 full time equivalents FTE). If the total number of Police Officers is reduced to take account of those on a career break then the total at the end of December was 1,505 (1,468 FTE). This total of 1,468 (FTE) compares with the baseline total of 1,472 (FTE), which has been set by the Scottish Government. If the total number of Police Officers falls below this baseline (1,472 FTE) then the Scottish Government will reduce the supplementary grant funding for the 98 additional Police Officers accordingly. Although the number is slightly down on the agreed baseline, the Force did recruit 18 new Officers in December (included in above figures) and plan a further two intakes of around 20 in both February and March. This should take the Officer number (FTE excluding Career Breaks) comfortably above the 1,472 baseline based on the latest projection of leavers before the end of March 2012.

Voluntary Redundancy Scheme

6.14 The Force has been setting aside savings within the Police Staff pay budget throughout the year, as posts became vacant or were deleted. The intention was to run the third Voluntary Redundancy Scheme near the end of 2011-12, reduce staffing levels during 2012-13 and consequently reduce an element of that cost base in readiness for the anticipated funding cuts in 2012-13. Although a further round of Voluntary Redundancies would reduce costs over the medium and long term, it would also have a further impact upon operational capacity given the reductions witnessed in the past 18 months.

-
- 6.15 However, with the recent announcement by the Scottish Government in the 2011 Spending Review, that funding next year would be frozen (in cash terms), the Force is now planning on maintaining staffing levels, rather than reduce them further at this time. Whilst it is likely that the Force may run a Voluntary Redundancy Scheme in the future (as part of Police Reform), there is no immediate budget requirement to implement it prior to the end of this financial year.
- 6.16 The total amount of budget savings set aside up to the end of December was £1.2m, although this could increase further as Police Staff leave the Force prior to the end of this financial year. This saving would increase further the Force's balance of reserves.
- 6.17 In consultation with the Joint Board's Budget Sub-Group and the Treasurer, it is suggested that the Board should consider refunding an equivalent amount to the Constituent Authorities through a reduction in the current year's requisition. This adjustment is reflected in the projected out-turn figures detailed within Appendix A. Further to the Board determining the way forward, then corresponding adjustments would be made to the budgets, and the draw down of cash from the Constituent Authorities in the remaining part of this financial year.

Capital Financed from Current Revenue

- 6.18 In recent months the Force has been reviewing the capital spend for this and future years, and considered various options of funding the Capital Plan. The Force has committed to building a new custody facility in Aberdeen. In recent years the Force has built up a balance of capital receipts, and carried forward capital grant in order to part fund this project. Using available receipts and some revenue reserves would eliminate the need for any prudential borrowing and this is considered a prudent and sustainable way to proceed.
- 6.19 A summary of the capital spend and the associated funding is set out in Appendix B. The Force will shortly confirm the balance of spend to be funded from the capital grant this financial year, and it is recommended that Board members approve the carry forward by the Constituent Authorities of the unspent capital grant (£2.075m) in 2011-12, and for the balance to be allocated to the Force in 2012-13. The Treasurer recently suggested a change to the process of requisitioning capital funding from the LA's and is awaiting a response from his counterparts. Agreement to only requisition when spend is incurred is linked to the agreement to refund any unspent allocation in future years.

POLICE REFORM

- 6.20 The Scottish Government set out its proposal for Police Reform in a consultation paper in February 2011. The intention was to engage with stakeholders about the future of policing in Scotland. A second consultation paper was published in September 2011, which provided more detail as to how the Scottish Government intended to establish a single Police Force, and again invited comments in order to help shape the final proposals and related legislation.

-
- 6.21 As part of the consultation exercise, the Scottish Government prepared an Outline Business Case (OBC), which provided an estimated balance of savings that could be achieved through the creation of one Force. In the period leading up to the transfer, it is important that consideration is given to the investment and savings required in order to ensure a successful outcome to Police Reform.
- 6.22 The OBC included details of the potential costs of creating a single Police Force, as well as the estimated savings, that would accrue during the period of transition and beyond. It was assumed that the majority of the costs would be incurred during the first five years of the project, and has been estimated to amount to £234m (covering the period 2011-12 to 2015-16). The biggest element of this spend will be redundancy costs, which are estimated to be £87m, with approximately £56m of the total occurring during 2013-14 and 2014-15. The total of £234m also includes provision for £66m of non recoverable VAT costs. The annual recurring cost is approximately £22m, however if the legal structure of the new Scottish Police Service allows for VAT to be recovered, then this would cease to be a cost.
- 6.23 The OBC has assumed that the creation of a single Police Force will result in significant savings being made. Over the initial 5 year period of the project it has been assumed that the total savings would amount to £352m. By 2015-16, the projected annual cashable savings are estimated to amount to £131m with over half of this total coming from the Police Staff pay budgets.
- 6.24 It is unclear at this stage how the budget savings for 2012-13 and 2013-14 will be dealt with, given that the Forces have been allocated cash budgets in line with those provided in 2011-12. The total savings target for 2012-13 and 2013-14 amounts to £28m and £63m respectively. It has been anticipated within the OBC that Forces will continue to reduce Police Staff numbers during this period, although such decisions rest with the Board until such time as the single Police Force is created.
- 6.25 However Boards/Forces have been reducing Police Staff numbers at different rates already, so savings from the original baseline (2010-11 budget) have been made in some cases. Grampian Police, for example have already run two successful Voluntary Redundancy Schemes over the last two financial years and with a recruitment freeze in place until recently, has seen numbers fall from a high of almost 850 in 2010-11, to just under 685 at the end of December 2011. This was in anticipation of the expected significant budget cuts but as mentioned earlier, the cuts are not now as severe as first announced.
- 6.26 Although final details of Police Staff reductions are not likely to be known until later in 2012, it is likely that Grampian will have met a significant proportion of its share already, hence the proposal not to run a further round of Voluntary Redundancies at this stage.

SCOTTISH SPENDING REVIEW 2011 AND DRAFT BUDGET 2012-13

- 6.27 The Scottish Government recently published details of its spending plans for the financial year 2012-13. It also issued details of funding for individual public bodies including the Scottish Police Forces, within the Local Government Finance Settlement 2012-15 (Circular no 11/2011).
- 6.28 Within (Annex G) of the Circular, there is a table that shows the estimates of ring-fenced grant funding for Police. The total is broken down between the three Constituent Authorities. The figures include three components, namely the Core Funding, Injury Benefits, along with Loan Charge Support and are summarised in the table below.

Constituent Authority	Police Grant	Injury Award	Loan Charges	Total
	£'000	£'000	£'000	£'000
Aberdeen City	22,537	100	135	22,772
Aberdeenshire	16,681	74	505	17,260
Moray	7,637	34	131	7,802
Sub total	46,855	208	771	47,834

- 6.29 It is important to note that these amounts are paid directly to the Force by the Scottish Government, and equate to 51% of the gross funding. Whilst the published figures showing against the respective Constituent Authorities are for information purposes only, they do provide a basis for calculating the sums to be requisitioned. The requisitions normally account for 49% of the Gross Funding total.
- 6.30 The funding to be provided to the Force during 2012-13 is set out in the table below and shows the split between that provided by the Scottish Government (£47,834) compared to the Constituent Authorities (£45,958). A breakdown of the revenue funding to be requisitioned from the individual Constituent Authorities is included within Appendix F, however it should be noted that the requisition received from the Constituent Authorities also includes an element of funding for Capital Grant. The Capital Grant allocations are not reflected in the totals shown in the table above or below.
- 6.31 The Force has developed the budget proposals on the basis that the requisitions will amount to those figures set out in the table below.

	Core Funding	Injury Award	Loan Charges	Total
	£'000	£'000	£'000	£'000
Police Grant	46,855	208	771	47,834
Requisitions	45,017	200	741	45,958
Gross Funding	91,872	408	1,512	93,762

-
- 6.32 The total funding allocated to the Force this financial year amounted to £93.744m. This compares to the total of £93.762m (table above), that will be received during 2012-13. Overall, there would be a small increase of £18,000 in the total funding between this financial year and the next, due to some rounding up.
- 6.33 It is anticipated that a similar level of funding will be allocated to the Force during 2013-14. Financial plans are being drawn up with regard to more detailed spending proposals for 2013-14 and these will be presented to the Board's Budget Sub-Group in due course.
- 6.34 The Capital Grant allocation passed from the Scottish Government to the Constituent Authorities amounts to £1.701m (a reduction of almost 30%). This will require the use of revenue reserves and capital receipts to supplement the grant over the next 2 years to fund the Capital Plan, in particular the new Custody facilities in Aberdeen. This project has been in the planning stages now for 2-3 years and is now close to starting with land being identified and an offer recently accepted.

PROPOSED REVENUE BUDGET 2012-13

- 6.35 The proposed budget for 2012-13 is set out in summary form at Appendix C and in more detail at Appendix D.
- 6.36 With the recent publication of the funding allocations, the Force has revised some of the budget assumptions for 2012-13. This reflects the budgetary position at the latter part of this financial year, as well as the potential level of funding for next year. The Force will be seeking to maximise its operational capacity and enhance or develop its infrastructure in line with the creation of the Scottish Police Service. It is important that the decisions taken now by the Board/Force support the broad aims of Police Reform, in order that further to the transfer in 2013-14, policing within the North East of Scotland is efficient and effective within the new structure.
- 6.37 Although the Force has been given the same cash budget as last year, this is still in effect a cut of around 1.9-2% in real terms given inflation and other budget commitments (mainly pay related increments for all staff not yet on the maximum of their scale).
- 6.38 As in previous years, the Force will continue to seek to achieve significant cash efficiencies and introduce other initiatives aimed at releasing Police Officer time to core operational duties and absorbing the real term cut in the budget.

Police Officers

- 6.39 The total budget for Police Officer pay costs in 2012-13 amounts to £79m. This accounts for over 66% of the total budgeted revenue expenditure (£119m) to be incurred during the year. One of the key aims of the Force is to maximise Police Officer numbers within budgetary constraints. The Force is proposing to increase the total Police Officer pay budget next financial year and will aim to increase Police Officer numbers beyond the Scottish Government approved baseline of 1,472 FTE.

6.40 Based on the budget awarded, the Force is planning for a net increase of around 35 Police Officers during the coming year. This would take the total number of Police Officers to around 1,520 FTE (excluding Career Breaks). However, this total may be affected by the number of Police Officers leaving or retiring. In recent years, the percentage of Police Officers staying on beyond the date when they are eligible to retire has reduced. This in part has accelerated the reduction in Police Officer numbers, particularly this financial year. It is unclear whether or not this trend will continue into 2012-13 and 2013-14, but the Force's recruitment programme will be amended if there are any significant deviations from the current plan. During 2012-13, the Force is planning on the basis that around 70 Officers will leave the Service, so at this stage we anticipate recruiting around 105 Officers over the coming 12 months.

Police Officer Numbers 2005-2013

	Headcount	FTE	FTE Excluding Career Breaks	
2005-06	1,374	-	-	
2006-07	1,425	-	-	
2007-08	1,510	-	-	
2008-09	1,557	-	-	
2009-10	1,600	-	-	
2010-11	1,565	-	-	
2011-12	1,545	1,505	1,485	(1,472 Baseline)
2012-13	1,580	1,540	1,520	

6.41 It is important that any increase in Police Officer numbers is sustainable in the longer term, especially after the transition to the new Scottish Police Service. Although the Force will be increasing Police Officer numbers during 2012-13, this will be done in a structured way as to ensure that those joining will have access to the appropriate training facilities and can follow an adequately resourced training programme through their initial stages of employment and beyond.

Cadets

6.42 Board members will be aware that the Force has run a very successful Cadet Scheme now for the last 5 years with the majority eventually joining as regulars when they reach 18. This has not only been well received in local communities given the amount of work they do with the voluntary sector, but it has enable the Force to reduce the average age of recruits quite considerably. In addition the Cadets develop a range of skills and experience including many aspects of life in the community as well as a useful insight into life within modern Police Service.

-
- 6.43 During 2011, given expected significant budget cuts, the Force agreed to suspend the Scheme with no intake in September 2011 as had been the case in previous years. At present only six Cadets remain in the programme but the Board are being asked to agree to a new intake during 2012 as part of the Government commitment to finding jobs for young people. The plan would be to recruit around 10-12 new Cadets during 2012 and to review the Scheme again later in the year.

Police Staff

- 6.44 With the budgetary constraints and anticipated funding cuts in future years, the Force has up until recently not been filling vacant posts (bar a few in front line support roles) as well as offering a Voluntary Redundancy/Early Retirement Scheme in the last two financial years. Overall Police Staff pay costs have reduced significantly this year, with numbers down to 685 (604 FTE) at the end 7 December 2011 compared to around 850 only 18 months ago.
- 6.45 The Force has allowed some limited recruitment of key support posts in the last few months and staff numbers are expected to rise slightly by the end of the financial year (to around 710). It is proposed that staffing levels are maintained at or around this number into next financial year, especially in the key areas where Police Staff directly support front line policing, e.g. Service Centre, Control Room, Analysts/Researchers, etc.
- 6.46 The proposed budget includes a provision for running a Voluntary Redundancy Scheme during the latter part of 2012-13. As noted earlier in the report, the Scottish Government are seeking efficiency savings through the creation of the single Police Force. Within 2 years of creating the Scottish Police Service, it has been estimated that there will be annual savings of £66m against the Police Staff pay budget. In order for these savings targets to be achieved, consideration needs to be given to the on-going reduction in Police Staff numbers throughout Scotland over the next 3-4 years. Accordingly, it would be prudent to allow for some redundancy/early retirement costs within the 2012-13 budget. Some of the cost is likely to be met from the Force's balance of reserves. The resultant budget savings that would accrue from running another VRS in the latter part of 2012-13, will come about in 2013-14 and subsequent years.

Property

- 6.47 The Force's Estate continues to be reviewed, taking into account operational requirements, potential shared facilities and estimated costs (both revenue and capital). It is anticipated that the 2012-13 budget for rent and rates can be maintained at broadly the same levels as this financial year. Provision has however been made within the budget to continue to refurbish and upgrade a number of operational properties. The intention is to ensure that the properties continue to be fit for purpose and where necessary improvements are made to their efficiency, in order that the running costs can either be maintained at the same level or reduced over the medium term, especially with the continued rises in utility costs.

Transport

- 6.48 In recent years the fleet has been modernised as the Force has invested in new vehicles and equipment. Notwithstanding the resultant operational benefits, the efficiencies of running a modern fleet has meant that fuel and other running costs have been reduced in real terms. It is intended that the Force will continue to invest in its fleet and where possible maintain vehicle numbers at current levels. The number of vehicles being hired is reducing in the current year and it is expected that this will continue into 2012-13, although there will be times when additional 4x4 or other specialist vehicles will be required.

Supplies and Services

- 6.49 A small number of budget lines in 2012-13 have been increased in comparison to the allocations for 2011-12. This will allow for a modest rise to some Divisional devolved budgets, which have been subject to significant inflationary pressures and new expenditure commitments over the past few years at a time when due to budget constraints, the allocations have been frozen.
- 6.50 Additional budget has also been allocated to meeting the potential rise in advertising costs associated with the recruitment of new Police Officers, now that the Force has re-commenced its recruitment programme.
- 6.51 There is also £1.783m allocated for goods and services purchased in conjunction with SPSA. This expenditure is fully grant funded, such that any reduction in spend, would result in a corresponding drop in the income received from the Scottish Government.
- 6.52 The Force will continue to seek to identify further efficiency savings through new and on-going procurement initiatives with other Forces and public bodies, and this will assist in reducing the devolved spend or absorbing some of the inflationary increases across the Force.

Payments to Agencies and Other Bodies

- 6.53 The Force contributes to ACPOS approved national policing projects, through staffing resource (seconded Police Officers and Police Staff), as well as direct financial support. The total cost for the Force in any given financial year, equates to the equivalent GAE percentage of the entire spend on all of the projects. However it is anticipated that the shared costs will rise over the next few years as the Scottish Government reduces or withdraws funding for a number of on-going projects to meet its central budget reduction targets as part of Police Reform.

THE PRUDENTIAL REGIME FOR CAPITAL FINANCE AND THE CAPITAL PLAN 2011-12

- 6.54 The Force's Capital Plan for 2012-13, is presented for consideration (Appendix E). Provisional figures and potential capital projects are also produced for 2013-14 and 2014-15, but they are for information only at this stage.
- 6.55 The Capital Plan is funded from a Capital Grant (held for the Force by the Constituent Authorities), an element of revenue finance, an allocation from the Scottish Government to cover the cost of SPSA capital and any available capital receipts.
- 6.56 The Force has been reviewing the funding options for finalising a number of capital projects prior to the transfer to the single Police Force. With the balance of capital receipts, grant funding and revenue reserves, there would be no requirement for any new prudential borrowing to be undertaken prior to the transfer to the single Police Force. It is the Force's intention to progress the building of the new custody facility in line with the Board's requirements, and to improve other properties within the Force's portfolio where there is an operational requirement to do so as well as some longer term efficiency benefit.
- 6.57 There should be significant levels of capital spend during 2012-13 and 2013-14 with purchase of land and the construction of the new custody facility. The Force has entered into an agreement to purchase the land, however this is subject to granting of planning permission. The potential spend on the entire Capital Plan in 2012-13 would amount to £7.347m.
- 6.58 The profile of Grant Funding would need to be re-profiled to take account of the proposed annual spend during 2012-13 and 2013-14. The Force will utilise all of the capital receipts by 2013-14, and has allocated revenue balances (principally funded from the Force's reserves) to help meet the funding shortfall. The Force would need to carry forward from this financial year, a balance of £2.075m of unspent Capital Grant into 2012-13. The Force is unable to hold unspent Capital Grant and thus the balance needs to be returned to the Constituent Authorities prior to the year end. As in previous financial years, the Constituent Authorities have repaid the amounts carried forward in the subsequent financial year.
- 6.59 A separate report entitled Prudential Indicators and Review of Treasury Management Governance Arrangements, is being presented to the Board for its consideration. This sets out the impact of the Force's proposed Capital Plan on a range of financial indicators, and demonstrates that the Force is complying with the requirements of the Prudential Code.

EFFICIENCY SAVINGS

6.60 The Efficient Government initiative was launched in November 2004 and is a key part of the programme of reform and modernisation for the public sector in Scotland. All Scottish Police Forces were set a target of 2% efficiency savings each year. Cumulatively this amounted to 2%, 4% and 6% for the financial years 2008-09 through to 2010-11. Final outcomes were measured against the 'baseline' year of 2007-08.

Attainment of Target 2010-11

6.61 The Force had a successful record in identifying and delivering efficiencies last financial year. In the last three financial years Grampian Police have identified efficiency savings totalling approximately £13.3 million, which have been re-invested to support service delivery. These gains represent real improvements to the way that Grampian Police operates.

Grampian Police	2008-09	2009-10	2010-11
Target	£1,675,000.00	£3,335,000.00	£5,025,000.00
Actual	£2,461,153.54	£4,389,363.30	£6,489,627.41

Efficiency Targets 2011-12

6.62 The target for efficiencies this financial year, has increased from 2% to 3%. As a result, the Force strengthened its internal processes for identifying, capturing and delivering efficiency savings in the event that there would also be significant reductions in public sector funding.

Grampian Police	2011-12
Target	£2,513,000.00
Achieved	£1,402,764.70*

*Figure correct as of Quarter 2, 2011-12

6.63 Grampian Police has introduced a number of new processes including the use of technology to improve productivity, joint working with partners and improving organisational and management practices. The examples below are just a small number of initiatives introduced recently, which have led to improvements and efficient working practices throughout the Force.

Training packages designed and developed in-house saving the costs of external suppliers.

Reviewing processes and structures, allowing the transfer of Police Officers within support areas to frontline policing posts.

Relocation of a Department to suitable premises, negating the requirement to invest in extra security measures.

Increase of bedrooms available at Nelson Street, reducing the number of B&B reservations.

Sale of police buildings, lease terminations and savings in associated utility and running costs.

Efficiency Targets 2012-13

- 6.64 The Efficiency Guidance notes for this financial year have only just been issued to all Forces. Given that these guidance notes only include information pertaining to 2011-12, the Force is not able to confirm specific details or targets for 2012-13.
- 6.65 However, in the absence of such information, the Force will continue to proactively engage and communicate with all Business Areas in order to deliver 3% efficiencies for 2012-13.

POLICY ON RESERVES AND BALANCES

- 6.66 The Board are required to agree to the Force holding a balance of reserves. This may also be referred to as the General Fund (as it appears on the balance sheet within the Force's Annual Statement of Accounts).

- 6.67 Such a balance is there to:

Ensure that there are resources available to meet significant unplanned operational needs, especially in light of the nature and types of risks faced by the Force.

Provide a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.

Cushion against the impact of unforeseen inflationary increases, which have not been budgeted for, or other unavoidable budget pressures which may arise during the year.

- 6.68 The Force may also use the reserves to meet known or predicted liabilities (i.e. where specific funding may have been received in one year but the spend not yet incurred until the following year). In these instances, the Force would earmark part of the reserve and thereafter utilise that element of the reserve in the year that the liability generated an actual cost. This may include having an overspend, which would reduce the balance of reserves by an equivalent amount.
- 6.69 It is important that over the medium term these reserves are managed, to ensure that they do not drop below a minimum level (which could otherwise compromise operational capabilities), nor do they grow to an excessive level (beyond statutory limits). The statutory limits include any annual increase of reserves up to 4% of core funding, and a maximum cumulative balance of reserves which equates to 8% of core funding.
- 6.70 In previous years the Board has set a lower limit of 1% of total funding, which would equate to a minimum balance on the General Fund of approximately £1.2m. The Board has not set any upper limits other than to adhere to statutory obligations. The statutory limits include a maximum increase in reserves of £3.7m for 2011-12 (similar amount for 2012-13) and a maximum balance of reserves at the year end of £7.4m.

- 6.71 The balance on the General Fund at the start of this financial year was £3.891m. With the projected underspend of around £1.985m this financial year, the total balance of reserves would rise to almost £5.9m at 31 March 2012. Within the proposed budget for 2012-13 there is a shortfall of £1.5m (predominantly to fund part of the Custody Project) which would need to be met from the balance of reserves. Consequently by the end of March 2013, the balance of reserves would have reduced to around £4.4m.
- 6.72 It is only in the past financial year that the Force has deliberately increased the reserves balance specifically to provide for future predicted budget cuts. Initially, the reserves were being increased to provide for the costs of running another Voluntary Redundancy Scheme, however it is now recommended that these reserves are also used during the period 2012-13 and 2013-14 to supplement the funding of the new custody facilities.

Transfer of Reserves

- 6.73 The Scottish Government in consultation with the Convention of Scottish Local Authorities (COSLA) and the Association of Chief Police Officers in Scotland (ACPOS) has been considering the matter of reserves and whether or not these balances will be utilised or transferred out of Forces prior to the creation of the single Police Force. It is unclear at this stage whether or not the proposed legal structure of the single Police Force will allow for reserves to be held. If reserves are not permitted, then the balances currently held by Forces will need to be expended or repaid to Constituent Authorities and/or the Scottish Government. Discussions are on-going, however it is expected that a decision will be taken shortly as to how the matter will be progressed.
- 6.74 The table below sets out the plan for utilising the balance of reserves in the lead up to the transition to one Force. This may be subject to change if there is a decision taken by either the Board or the Scottish Government to return legally uncommitted reserves at the end of this financial year.

	2011-12	2012-13	2013-14
	£'000	£'000	£'000
Opening Balance	3,891	5,876	4,376
Underspend/(Overspend)	1,985	(1,500)	(1,800)
Closing Balance	5,876	4,376	2,576
Legal Commitments	-	-	-
Operational Contingency	(1,200)	(1,200)	(1,200)
Discretionary Balance	4,676	3,176	1,376

- 6.75 In the interim, the Force will continue to manage its finances in line with the Board Standing Orders and adhere to a range of safeguards that mitigate against the Force over-committing itself financially. The following factors will continue to be assessed in order to manage the balance of the General Fund.

6.76 These main factors include:

The treatment of inflation.

The control over demand led pressures.

The level of devolvement within the Force and the responsibilities of individual budget holders.

The adequacy of provisions within the Police Accounts.

6.77 An assessment of each of these factors is detailed below:

FACTOR	ASSESSMENT
1. Treatment of inflation rate movements.	Projected annual salary/wage increases (increments only for 2012-13) are built into the Revenue Budget. Other known contractual increases are also built into the Revenue Budget.
2. The control over demand led pressures.	These are very closely monitored by individual budget holders as well as the Force Finance Team, and at regular Executive Board and Joint Board meetings during the year.
3. The level of devolvement within the Force and the responsibility of individual budget holders.	Individual/budget holders have a clear understanding of their budget responsibilities and there is regular liaison with the Force Finance Team.
4. Adequacy of provisions and accruals built into year end accounts.	Provisions and accruals are built into the year end accounts to meet known commitments.

6.78 Taking into account all the above factors, and recognising that there may, on occasions, be operational demand led pressures, which cannot be contained within overall budgets, it is recommended that as an updated medium term strategy, the minimum level of the General Fund should remain at 1% of the total funding (which equates to £1.2m). This follows the strategy adopted by the Board in previous years.

7. REPORT AUTHOR DETAILS

7.1 Gary Craig, Deputy Director of Corporate Services
gary.craig@grampian.pnn.police.uk
Tel: 01224 306576

8. BACKGROUND PAPERS

None.

Chief Constable
13 January 2012

A handwritten signature in blue ink, consisting of several fluid, connected strokes that are difficult to decipher as specific letters.

pp. Treasurer
13 January 2012

This page is intentionally left blank

GRAMPIAN POLICE
Revenue Budget Monitoring Report - Expenditure up to 31 December 2011

		<i>Grampian Police Summary</i>		<i>Estimated</i>	<i>Variance</i>	<i>Out-turn as a</i>
		<i>Approved</i>	<i>Expenditure to</i>	<i>Out-turn</i>	<i>(Under)/</i>	<i>% of Budget</i>
		<i>Budget</i>	<i>31-Dec-11</i>	<i>As At</i>	<i>As At</i>	
		<i>£</i>	<i>£</i>	<i>31-Dec-11</i>	<i>31-Dec-11</i>	
				<i>£</i>	<i>£</i>	
					<i>Overspend</i>	
					<i>As At</i>	
					<i>31-Dec-11</i>	
					<i>£</i>	
EMPLOYEE COSTS						
Police Officers						
	Pay	53,558,638	39,615,758	52,809,493	(749,145)	99%
	CRTP/Bonus/SPP	840,444	429,987	584,836	(255,608)	70%
	TRA and Housing	1,917,364	1,433,992	1,883,000	(34,364)	98%
	Other Allowances	237,807	164,827	215,145	(22,662)	90%
	National Insurance	5,192,270	3,669,246	5,008,362	(183,908)	96%
	Notional Pension Costs	13,505,119	10,001,647	13,320,100	(185,019)	99%
	Injury Pension Costs	521,821	348,355	522,533	712	100%
	Ill Health Awards	224,961	75,462	197,000	(27,961)	88%
	Sub-total	75,998,424	55,739,274	74,540,469	(1,457,955)	98%
	Overtime	3,048,988	1,701,858	2,844,194	(204,794)	93%
	Total Police Officers' Costs	79,047,412	57,441,132	77,384,663	(1,662,749)	98%
Police Staff						
	Pay	15,797,830	10,189,122	14,623,406	(1,174,424)	93%
	Allowances	1,540,741	1,082,699	1,456,833	(83,908)	95%
	National Insurance	1,234,213	795,869	1,094,643	(139,570)	89%
	Superannuation	2,956,752	2,009,688	2,762,965	(193,787)	93%
	Sub-total	21,529,536	14,077,378	19,937,847	(1,591,689)	93%
	Overtime	185,393	108,540	152,172	(33,221)	82%
	Total Police Staff Costs	21,714,929	14,185,918	20,090,019	(1,624,910)	93%
Other Staff Costs						
	Relocation	60,723	17,749	52,000	(8,723)	86%
	Recruitment	43,020	24,784	58,000	14,980	135%
	Sub-total	103,743	42,533	110,000	6,257	106%
	Total Employee Costs	100,866,084	71,669,583	97,584,682	(3,281,402)	97%
OPERATING COSTS						
Property Costs						
	Rent	853,621	549,566	832,343	(21,278)	98%
	Rates	1,447,926	1,349,905	1,445,902	(2,024)	100%
	Insurance	20,000	19,623	20,000	0	100%
	Repairs and Maintenance	906,054	393,828	895,555	(10,499)	99%
	Repairs and Maintenance - Devolved	17,375	12,577	17,070	(305)	98%
	Heating, Lighting and Cleaning	1,294,605	812,782	1,293,381	(1,224)	100%
	Sub-total	4,539,581	3,138,281	4,504,251	(35,330)	99%
Transport and Plant Costs						
	Repairs and Maintenance	275,000	181,740	275,400	400	100%
	Petrol and Diesel Fuel	948,790	624,740	948,989	199	100%
	Licences and Insurances	300,000	295,152	300,000	0	100%
	Car Hire	207,679	132,494	193,569	(14,110)	93%
	Travel and Subsistence	476,975	270,808	417,468	(59,507)	88%
	Sub-total	2,208,444	1,504,934	2,135,426	(73,018)	97%
Supplies and Services Costs						
	Operational Equipment and Materials	695,973	310,831	598,489	(97,484)	86%
	Operational Supplies and Services	2,755,000	1,510,630	2,659,662	(95,338)	97%
	Uniforms and Clothing	241,656	157,431	246,240	4,584	102%
	Computer Maintenance and Software	1,138,374	784,231	1,211,634	73,260	106%
	Computer Network and Telephony	960,832	508,256	949,479	(11,353)	99%
	Catering	151,668	84,817	139,954	(11,714)	92%
	Conferences and Training	325,026	141,679	302,125	(22,901)	93%
	Printing, Stationery and Postages	488,491	251,973	464,953	(23,538)	95%
	Insurances	399,325	393,621	404,325	5,000	101%
	Advertising	15,680	12,374	18,270	2,590	117%
	Other Administrative Costs	367,870	174,202	298,574	(69,296)	81%
	Sub-total	7,539,895	4,330,045	7,293,705	(246,190)	97%
Payments to Agencies and Other Bodies						
	Council Support Services	227,500	83,832	220,000	(7,500)	97%
	Other Agencies	1,305,822	225,815	1,285,589	(20,233)	98%
	Sub-total	1,533,322	309,647	1,505,589	(27,733)	98%

GRAMPIAN POLICE
Revenue Budget Monitoring Report - Expenditure up to 31 December 2011

		<i>Grampian Police Summary</i>		<i>Estimated</i>	<i>Variance</i>	<i>Out-turn as a</i>
		<i>Approved</i>	<i>Expenditure to</i>	<i>Out-turn</i>	<i>(Under)/</i>	<i>% of Budget</i>
		<i>Budget</i>	<i>31-Dec-11</i>	<i>As At</i>	<i>Overspend</i>	
		<i>£</i>	<i>£</i>	<i>31-Dec-11</i>	<i>As At</i>	
				<i>£</i>	<i>31-Dec-11</i>	
					<i>£</i>	
Financing Costs						
	Capital Financed from Current Revenue	900,000	0	900,000	0	100%
	Supported Loan Charges	1,385,000	359,885	1,385,000	0	100%
	Prudential Borrowing	0	0	0	0	0%
	Sub-total	2,285,000	359,885	2,285,000	0	100%
Contingency Costs		0	0	0	0	0%
	Total Operating Costs	18,106,242	9,642,792	17,723,971	(382,271)	98%
	Gross Expenditure	118,972,326	81,312,375	115,308,653	(3,663,673)	97%
INCOME						
	Recharges for Services	(1,396,150)	(708,376)	(1,179,877)	216,273	85%
	Secondee Recoveries	(1,034,824)	(738,125)	(1,070,188)	(35,364)	103%
	Sales, Fees and Lost Property	(533,000)	(327,106)	(507,365)	25,635	95%
	Sponsorship	(24,400)	(18,229)	(18,229)	6,171	75%
	Rents	(807,401)	(678,142)	(785,401)	22,000	97%
	Partnership Income	(840,484)	(403,571)	(790,484)	50,000	94%
	Non SG Funding	(501,401)	(561,545)	(574,377)	(72,976)	115%
	Other Income	(80,000)	(51,188)	(80,000)	0	100%
	Total Income	(5,217,660)	(3,486,282)	(5,005,921)	211,739	96%
	Total Net Expenditure	113,754,666	77,826,094	110,302,732	(3,451,934)	97%
FINANCED BY -						
Grant Funding						
	SG Police Grant	(47,166,000)	(34,490,142)	(47,166,000)	0	100%
	LA Requisitions	(45,316,000)	(33,986,750)	(44,116,000)	1,200,000	97%
	SG Loan Charge Support	(644,000)	(470,646)	(644,000)	0	100%
	LA Loan Charge Support	(618,000)	(463,500)	(618,000)	0	100%
	SG Specific Grant (100% Funded)	(6,485,011)	(2,419,389)	(6,403,124)	81,887	99%
	SG Specific Grant (Part Funded)	(20,536)	0	(20,536)	0	100%
	SG Specific Grant (Police Pensions)	(13,505,119)	(12,113,253)	(13,320,100)	185,019	99%
		(113,754,666)	(83,943,680)	(112,287,760)	1,466,906	99%
	Total (Under)/Overspend Against Grant Funding	0	(6,117,586)	(1,985,028)	(1,985,028)	

GRAMPIAN POLICE
Summary Capital Funding 2011-15

	2011-12	2012-13	2013-14	2014-15
Expenditure				
Recurring Spend	1,767	1,570	1,570	1,570
Projects	1,154	5,777	6,268	547
Total	2,921	7,347	7,838	2,117
Funding				
Capital Grant	1,712	3,122	2,355	1,701
Specific Grant	309	250	250	250
Capital Receipts	0	2,675	3,431	100
CFCR	900	1,300	1,802	66
Total	2,921	7,347	7,838	2,117

Capital Grant Analysis					
	Grant B/F	1,384	2,075	654	0
*	Grant Awarded	2,403	1,701	1,701	1,701
	Grant Utilised	(1,712)	(3,122)	(2,355)	(1,701)
	Grant C/F	2,075	654	0	0

Capital Receipts Analysis					
	Receipts B/F	4,001	5,306	3,031	0
	Asset Sales	1,305	400	400	100
	Receipts Utilised	0	(2,675)	(3,431)	(100)
	Receipts C/F	5,306	3,031	0	0

This page is intentionally left blank

GRAMPIAN JOINT POLICE BOARD
Summary Proposed Revenue Budget/Reserves 2012-13

	<i>Total Base Budget 2011-12 £'000</i>	<i>Total Current Budget 2011-12 £'000</i>	<i>Total Proj Out-turn 2011-12 £'000</i>	<i>Total Base Budget 2012-13 £'000</i>
EMPLOYEE COSTS				
1 Police Officers	66,546	65,542	64,065	66,264
2 Police Officer Notional Pension Costs	13,505	13,505	13,320	13,680
3 Police Staff	21,312	21,715	20,090	20,848
4 Other Staff Costs	97	104	110	152
Total Employee Costs	101,460	100,866	97,585	100,944
OPERATING COSTS				
5 Property Costs	4,049	4,540	4,504	4,600
6 Transport and Plant Costs	2,127	2,208	2,135	2,330
7 Supplies and Services Costs	7,419	7,540	7,294	7,567
8 Payments to Agencies and Other Bodies	1,360	1,533	1,506	1,710
9 Financing Costs	1,562	2,285	2,285	2,682
10 Contingency Costs	0	0	0	0
Total Operating Costs	16,519	18,106	17,724	18,891
Gross Expenditure	117,979	118,972	115,309	119,834
INCOME (11)	(4,274)	(5,218)	(5,006)	(4,414)
Total Net Expenditure	113,705	113,755	110,303	115,420
FINANCED BY -				
12 Police Allocation	(92,482)	(92,482)	(91,282)	(92,280)
13 Loan Charge Support	(1,262)	(1,262)	(1,262)	(1,512)
14 Other Scottish Government Grant Funding	(5,856)	(6,506)	(6,424)	(6,447)
15 Police Pension Grant	(13,505)	(13,505)	(13,320)	(13,680)
Total Grant Funding	(113,105)	(113,755)	(112,288)	(113,920)
Total (Under)/Overspend Against SG Grant Funding (16)	600	0	(1,985)	1,500
GENERAL RESERVE (Excluding Element Ring-Fenced for Pension Lump Sums)				
17 Opening Balance at 1 April			(3,891)	(5,876)
18 (Under)/Overspend			(1,985)	1,500
19 Closing Balance at 31 March	0	0	(5,876)	(4,376)
20 Percentage Limit for Carry Forward of Reserves (8%)			6.44%	4.74%

This page is intentionally left blank

GRAMPIAN POLICE
Detailed Proposed Revenue Budget 2012-13

	Total Base Budget 2011-12 £	Total Current Budget 2011-12 £	Total Projected Out-turn 2011-12 £	Proposed Revenue Budget 2012-13 £	Percentage Variance with Current Budget
EMPLOYEE COSTS					
Police Officers					
Pay	54,086,638	53,558,638	52,809,493	54,421,945	1.61%
CRTP/Bonus/SPP	1,569,444	840,444	584,836	690,891	-17.79%
TRA and Housing	1,927,364	1,917,364	1,883,000	1,800,280	-6.11%
Other Allowances	118,317	237,807	215,145	271,662	14.24%
National Insurance	5,241,970	5,192,270	5,008,362	5,353,893	3.11%
Notional Pension Costs	13,505,119	13,505,119	13,320,100	13,680,356	1.30%
Injury Pension Costs	415,000	521,821	522,533	525,000	0.61%
Ill Health Awards	424,961	224,961	197,000	300,000	33.36%
	77,288,813	75,998,424	74,540,469	77,044,027	1.38%
Overtime	2,762,655	3,048,988	2,844,194	2,900,000	-4.89%
	80,051,468	79,047,412	77,384,663	79,944,027	1.13%
Police Staff					
Pay	15,404,191	15,797,830	14,623,406	15,013,000	-4.97%
Allowances	1,539,966	1,540,741	1,456,833	1,450,000	-5.89%
National Insurance	1,231,577	1,234,213	1,094,643	1,100,000	-10.87%
Superannuation	2,947,365	2,956,752	2,762,965	3,085,000	4.34%
	21,123,099	21,529,536	19,937,847	20,648,000	-4.09%
Overtime	189,043	185,393	152,172	200,000	7.88%
	21,312,142	21,714,929	20,090,019	20,848,000	-3.99%
Other Staff Costs					
Relocation	48,723	60,723	52,000	83,723	37.88%
Recruitment	48,020	43,020	58,000	68,020	58.11%

GRAMPIAN POLICE
Detailed Proposed Revenue Budget 2012-13

	Total Base Budget 2011-12 £	Total Current Budget 2011-12 £	Total Projected Out-turn 2011-12 £	Proposed Revenue Budget 2012-13 £	Percentage Variance with Current Budget
Sub-total	96,743	103,743	110,000	151,743	46.27%
Total Employee Costs	101,460,353	100,866,084	97,584,682	100,943,770	0.08%
OPERATING COSTS					
Property Costs					
Rent	853,621	853,621	832,343	853,621	0.00%
Rates	1,447,926	1,447,926	1,445,902	1,447,926	0.00%
Insurance	20,000	20,000	20,000	20,000	0.00%
Repairs and Maintenance	562,054	906,054	895,555	938,054	3.53%
Repairs and Maintenance - Devolved	16,597	17,375	17,070	16,597	-4.48%
Heating, Lighting and Cleaning	1,149,267	1,294,605	1,293,381	1,324,267	2.29%
Sub-total	4,049,465	4,539,581	4,504,251	4,600,465	1.34%
Transport and Plant Costs					
Repairs	275,000	275,000	275,400	275,000	0.00%
Petrol and Diesel Fuel	817,509	948,790	948,989	1,020,509	7.56%
Licences and Insurances	300,000	300,000	300,000	300,000	0.00%
Car Hire	237,053	207,679	193,569	237,053	14.14%
Travel and Subsistence	497,814	476,975	417,468	497,814	4.37%
Sub-total	2,127,376	2,208,444	2,135,426	2,330,376	5.52%
Supplies and Services Costs					
Operational Equipment and Materials	594,626	695,973	598,489	644,626	-7.38%
Operational Supplies and Services	2,804,314	2,755,000	2,659,662	2,788,559	1.22%
Uniforms and Clothing	238,278	241,656	246,240	263,278	8.95%
Computer Maintenance and Software	1,047,060	1,138,374	1,211,634	1,122,060	-1.43%
Computer Network and Telephony	964,564	960,832	949,479	990,564	3.09%
Catering	166,885	151,668	139,954	146,885	-3.15%
Conferences and Training	373,556	325,026	302,125	373,556	14.93%
Printing, Stationery and Postages	482,373	488,491	464,953	474,373	-2.89%

GRAMPIAN POLICE
Detailed Proposed Revenue Budget 2012-13

	Total Base Budget 2011-12 £	Total Current Budget 2011-12 £	Total Projected Out-turn 2011-12 £	Proposed Revenue Budget 2012-13 £	Percentage Variance with Current Budget
Insurances	410,100	399,325	404,325	410,100	2.70%
Advertising	8,150	15,680	18,270	23,150	47.64%
Other Administrative Costs	329,559	367,870	298,574	330,003	-10.29%
Sub-total	7,419,465	7,539,895	7,293,705	7,567,154	0.36%
Payments to Agencies and Other Bodies					
Council Support Services	286,500	227,500	220,000	286,500	25.93%
Other Agencies	1,073,933	1,305,822	1,285,589	1,423,933	9.04%
Sub-total	1,360,433	1,533,322	1,505,589	1,710,433	11.55%

GRAMPIAN POLICE
Detailed Proposed Revenue Budget 2012-13

	Total Base Budget 2011-12 £	Total Current Budget 2011-12 £	Total Projected Out-turn 2011-12 £	Proposed Revenue Budget 2012-13 £	Percentage Variance with Current Budget
Financing Costs					
Capital Financed from Current Revenue	300,000	900,000	900,000	1,300,000	44.44%
Supported Loan Charges	1,262,000	1,385,000	1,385,000	1,382,120	-0.21%
Prudential Borrowing	0	0	0	0	0.00%
Sub-total	1,562,000	2,285,000	2,285,000	2,682,120	17.38%
Contingency Costs	0	0	0	0	0.00%
Total Operating Costs	16,518,739	18,106,242	17,723,971	18,890,548	4.33%
Gross Expenditure	117,979,092	118,972,326	115,308,653	119,834,318	0.72%
INCOME					
Recharges for Services	(1,098,500)	(1,396,150)	(1,179,877)	(1,040,000)	-25.51%
Seconded Recoveries	(860,824)	(1,034,824)	(1,070,188)	(960,000)	-7.23%
Sales, Fees and Lost Property	(338,000)	(533,000)	(507,365)	(430,000)	-19.32%
Sponsorship	(18,000)	(24,400)	(18,229)	(25,000)	2.46%
Rents	(857,401)	(807,401)	(785,401)	(857,784)	6.24%
Partnership Income	(945,525)	(840,484)	(790,484)	(945,525)	12.50%
Non SG Funding	(76,176)	(501,401)	(574,377)	(76,176)	-84.81%
Other Income	(80,000)	(80,000)	(80,000)	(80,000)	0.00%
Total Income	(4,274,426)	(5,217,660)	(5,005,921)	(4,414,485)	-15.39%
Total Net Expenditure	113,704,666	113,754,666	110,302,732	115,419,833	1.46%
FINANCED BY -					
Grant Funding (GAE)					
SG Police Grant	(47,166,000)	(47,166,000)	(47,166,000)	(47,063,000)	-0.22%
LA Requisitions	(45,316,000)	(45,316,000)	(44,116,000)	(45,217,000)	-0.22%

GRAMPIAN POLICE
Detailed Proposed Revenue Budget 2012-13

	Total Base Budget 2011-12 £	Total Current Budget 2011-12 £	Total Projected Out-turn 2011-12 £	Proposed Revenue Budget 2012-13 £	Percentage Variance with Current Budget
SG Loan Charge Support	(644,000)	(644,000)	(644,000)	(771,000)	19.72%
LA Loan Charge Support	(618,000)	(618,000)	(618,000)	(741,000)	19.90%
SG Specific Grant (100% Funded)	(5,835,011)	(6,485,011)	(6,403,124)	(6,447,390)	-0.58%
SG Specific Grant (Part Funded)	(20,536)	(20,536)	(20,536)	0	-100.00%
SG Specific Grant (Police Pensions)	(13,505,119)	(13,505,119)	(13,320,100)	(13,680,356)	1.30%
	(113,104,666)	(113,754,666)	(112,287,760)	(113,919,746)	0.15%
Total (Under)/Overspend Against SG Grant Funding	600,000	0	(1,985,028)	1,500,087	

This page is intentionally left blank

GRAMPIAN POLICE												
PROPOSED CAPITAL PLAN 2012-13												
Line	Project Description	Divisions / Dept.	PPSO Project No	Finance Project No	Total project cost £000s	Prior years spend £000s	Revised Budget <a> 2011-12 £000s	Projected Outturn 2011-12 £000s	2012-13 £000s	2013-14 £000s	2014-15 £000s	Comments
A Recurring Items												
1	Disability Discrimination Act (DDA) / Minor Building Work	Facilities		GC90971	n/a	n/a	430	430	300	300	300	Works on-going.
2	Asset Refreshment for Computers, Printers & Servers											
(i)	- SPSA	SPSA		GC90870	n/a	n/a	245	245	250	250	250	Expenditure funded by Scottish Police Services Authority Specific Grant.
(ii)	- Force Funded	Business Areas		GC90871	n/a	n/a	42	42	20	20	20	
3	Annual Vehicle Replacement	Transport		GC95501	n/a	n/a	1,050	1,050	1,000	1,000	1,000	
B Existing Commitments												
4	Moray Family Protection Unit (New Build)	Facilities	GPP008	GC98190	600	207	393	393				Project due to be completed during 2011-12
5	Suspect Digital Interview Recording	CMBA	GPL042	GC98187	150	9	127	127				Equipment have been ordered and will arrive during Nov / Dec 2011.
6	ON-GOING COMMITMENTS						2,287	2,287	1,570	1,570	1,570	
C Discrete Items of Expenditure												
7	NESCAMP Vehicle and Equipment	NESCAMP		GC92821	64	0	64	64				Additional grant income from Scottish Government for a vehicle replacement.
8	Body Armour	Procurement		GC90490	156	0	156	156				Annual programme of replacement.
9	Firearms Equipment	OP & S		GC92902	30	0	30	30				Budget approved by Programme Board in September 2011.
10	Torry Police Station Extension	Facilities		GC90111	237	0	60	60	177			Work will commence in January 2011.
11	Force Estate Security	Facilities		GC91161	0	0	0	0				Project was funded by Programme Board in June 2010.
12	Extension to Laboratory at Nelson Street - Phase 2	Facilities			0	0	0	0				Project to be costed if the facility remains in Aberdeen.
13	New Peterhead Police Station	Facilities	GPL024		0	0	0	0				Project was funded by Programme Board in June 2010.
14	New Custody Facilities in Aberdeen	Facilities	GPL022		10,000	0	0	0	5,000	5,000		Project was funded by Programme Board in June 2010.
15	Laurencekirk Police Station (New Build)	Facilities	GPP012		312	0	0	0	312	312		GJPB approved the purchase of the site in September 2011.
16	Force Control Room - Communication Equipment	OP & S		GC91860	190	0	190	190				The project is in the design phase with the build due to commence in July 2012.
17	Force Service Centre - Call Handling System Upgrade	OP & S		GC90951	90	0	90	90				New capital bid approved by FEB on Nov 2011.
18	Operational Specialist Equipment	OP & S	GC96401		13	0	13	13	75			New capital bid approved by FEB on Nov 2011.
19	IT and Specialist Equipment	CMBA	GC98183		31	0	31	31				New capital bid approved by FEB on Nov 2011.
20	Unallocated Capital Funds	Programme Board			0	0	0	0	525	956	547	Funding available for allocation to capital projects.
21	DISCRETE EXPENDITURE						634	634	5,777	6,268	547	
22	TOTAL EXPENDITURE						2,921	2,921	7,347	7,838	2,117	
Financed by:												
Governmental Bodies and Local Authorities												
23	Local Authorities - Annual Capital Grant											
(i)	Balance carry forward at the beginning of the year						1,384	1,384	2,075	654	0	Capital Grant carried forward by Constituent Authorities and repaid to the Force.
(ii)	Annual Capital Grant for the year						2,403	2,403	1,701	1,701	1,701	Annual Capital Grant for the year.
(iii)	Balance carry forward at the end of the year						(2,075)	(2,075)	(654)	0	0	Capital Grant transferred to Constituent Authorities at the year end.
	Annual Capital Grant utilised during the year						1,712	1,712	3,122	2,355	1,701	Capital Grant utilised during the year.
24	Scottish Government - Scottish Police Services Authority						245	245	250	250	250	Funding from Scottish Police Services Authority.
25	NESCAMP - Capital Receipts						64	64	0	0	0	Grant income from Scottish Government - Scottish Safety Camera Programme.
E Non-governmental Bodies												
26	Other Capital Receipts						0	0	0	0	0	
F Capital Receipts from the sale of Non-current assets												
27	Capital Receipts from sale of Non-current Assets						0	0	2,675	3,431	100	Capital receipts generated from disposal of Non-current Assets.
G Capital expenditures funded from revenue												
28	Capital Expenditure Funded from Revenue Funding "CFGR"						900	900	1,300	1,802	66	

GRAMPIAN POLICE PROPOSED CAPITAL PLAN 2012-13												
Line	Project Description	Divisions / Dept.	PPSO Project No	Finance Project No	Total project cost £000s	Prior years spend £000s	Revised Budget <a> 2011-12 £000s	Projected Outturn 2011-12 £000s	Estimated Budget			Comments
									2012-13 £000s	2013-14 £000s	2014-15 £000s	
H	External Borrowing											
29	External Borrowing					0	0	0	0	0	0	
30	TOTAL FUNDING					2,921	2,921	7,347	7,838	2,117		
RECONCILIATION OF CAPITAL RECEIPTS:												
	Opening balance							5,306	3,031	0		
	New Receipts											
	Sale of police houses					1,205	1,205	300	300	0		
	Sale of police vehicles, plant & equipment					100	100	100	100	100		
	Applied Receipts					0	0	(2,675)	(3,431)	(100)		
	Closing balance carry forward					5,306	5,306	3,031	0	0		

GRAMPIAN POLICE												
Line	Project Description	Divisions / Dept.	Total project cost £000s	Prior years spend £000s	Revised Budget <a> 2011-12 £000s	Projected Outturn 2011-12 £000s	Estimated Budget			Comments		
							2012-13 £000s	2013-14 £000s	2014-15 £000s			
<i>Discrete Items of Expenditure</i>												
1	ACPOS National Platform Project	SPSA	5,408	4,003	277	277	648	480	0	National project fully funded by the Efficient Government Fund. Grampian Police acting as lead Force.		
Financed by:												
2	Additional Capital Grant - Efficient Government Fund		5,378	3,973	277	277	648	480	0	Grant funding received by the Force.		
3	Other Capital Receipts		30	30	0	0	0	0	0			
			5,408	4,003	277	277	648	480	0			
RECONCILIATION OF CAPITAL RECEIPTS												
	Opening balance				£000s	£000s						
	Amount received during the current year				1,405	1,405	1,128	480	0			
	Receipts applied for the current year				0	0	0	0	0			
	Closing balance				(277)	(277)	(648)	(480)	0			
					1,128	1,128	480	0	0			

This page is intentionally left blank

GRAMPIAN JOINT POLICE BOARD
Local Authority Draft Requisitions 2012-13

		Total £'000s	Aberdeen £'000s	Aberdeenshire £'000s	Moray £'000s
Contribution by Local Authorities					
Core Funding		45,017	21,653	16,027	7,337
Injury Awards		200	96	71	33
Loan Charges Support		741	130	485	126
Sub-Total (Note 1)	A	45,958	21,879	16,583	7,496
Capital Grant for 2012-13					
Brought Forward from 2011-12		2,075	998	739	338
2012-13 Allocation (Note 2)		1,701	707	727	267
Carry Forward to 2013-14		(654)	(314)	(233)	(107)
Total Capital Grant Support	B	3,122	1,391	1,233	498
TOTAL PAYMENTS DUE FOR 2012-13	A+B	49,080	23,270	17,816	7,994

Notes:

1. Figures taken from Annex G of the Local Government Financial Settlement 2012-15 (Circular no 11/2011)
2. Figures taken from SR2011 Capital Distribution of Funding Elements produced by Scottish Government.

This page is intentionally left blank

KEY

ACPOS - Association of Chief Police Officers in Scotland
CFCR - Capital Financed from Current Revenue
COSLA - Convention of Scottish Local Authorities
CRTP - Competency Related Threshold Payment
GAE - Grant Aided Expenditure
LA - Local Authority
SG - Scottish Government
SPP - Special Priority Payment
SPSA - Scottish Police Services Authority
TRA - Transitional Rent Allowance

OTHER

Grampian Combined Police Area Amalgamation Scheme - Order which sets out the funding for the Police Board.

EXPENDITURE CATEGORY

Police Other Allowances includes the following items:

- Plain Clothes Allowances
- CHIS Handlers Allowance
- Central Services Allowance
- College Allowance
- Dog Handlers Allowance
- London Waiting Allowance
- Acting Up Allowance
- On Call Allowance

Other Staff Costs - Relocation includes the following items:

- Transfer Allowances
- Relocation Expenses

Other Staff Costs - Recruitment includes the following items:

- Interview Expenses
- Recruitment Costs
- Staff Advertising
- Long Service Awards

Operational Equipment and Materials includes the following items:

- Ammunition and Firearms
- Animals (Food and Equipment)
- Equipment Purchase
- Equipment Repairs and Maintenance
- Furniture Purchase
- Intoximeters
- Materials General
- Medical Supplies (including First Aid)

Operational Supplies and Services includes the following items:

- Airwave Maintenance
- Body Removal
- Car Care Kits
- Central Archive Facilities
- Consultancy Fees
- Interpreter Fees
- Mortuary Charges
- Police Surgeon Fees
- Prisoner Maintenance
- Service General

Other Administrative Costs includes the following items:

- Affiliation Fees
- Audit Fees
- Bank Charges
- Confidential Waste Disposal
- Data Protection Registration
- Hospitality
- Legal Expenses
- Members Allowance
- Subscriptions - General

Other Agency Costs include the following items:

- ACPOS
- SPSA
- Public Bodies (other than LA to which a contribution is made)

Other Income includes the following items:

- Miscellaneous Interest Received



COMMITTEE: GRAMPIAN JOINT POLICE BOARD

DATE: 20 JANUARY 2012

TITLE OF REPORT: PRUDENTIAL INDICATORS AND REVIEW OF
TREASURY MANAGEMENT GOVERNANCE
ARRANGEMENTS

1. PURPOSE OF REPORT

To present to the Board for its consideration details pertaining to the Local Government Investment (Scotland) Regulations 2010 as they apply to the Force and the Prudential Indicators that relate to the Capital Plan.

2. RECOMMENDATION(S)

The Board is requested to note the contents of the Report and approve the Prudential Indicators.

3. FINANCIAL IMPLICATIONS

The detailed financial implications are set out in within Section 6 of this Report. However, the key point is that the Force's investment in capital assets must be affordable, sustainable and prudent. The main test of affordability will be whether any capital financing costs can be contained within the Force's revenue budget. The Force also needs to ensure that the financial assets/liabilities are managed within existing statutory and professional frameworks.

4. SERVICE & COMMUNITY IMPACT

It is important that the Force continues to invest in its infrastructure, assets and systems in order that it can enhance the operational capacity and generate efficiencies for front line policing.

5. OTHER IMPLICATIONS

-

6. REPORT

- 6.1 The Force is required to follow the Local Government Investment (Scotland) Regulations 2010, which relate specifically to Section 40 of the Local Government in Scotland Act 2003. This statutory power allows local authorities and similar public bodies to undertake investments so long as they adhere to prescribed conditions. With the introduction of the Regulations in 2010, these public bodies have been afforded a greater level of autonomy in their investment activities.
- 6.2 However, with this greater freedom comes the responsibility to act prudently with regard to investment and treasury management activities. Investments need to be managed in order to minimise the risk to the capital sum and optimise the return on the funds, consistent with those risks.
- 6.3 The Scottish Government has identified two CIPFA Codes of Practice, which public bodies are required to follow in order to manage their investments in accordance with the Regulations. The publications are; Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, and The Prudential Code for Capital Finance in Local Authorities.
- 6.4 The Code of Practice covers all matters relating to Treasury Management including the fundamental principles for making and managing investments. Aberdeen City Council manage the Force's cash balances as part of a shared service arrangement. The management of investments requires specialist knowledge and systems, thus it is appropriate to utilise the services of the Council given that they have sufficient experience in this area and operate efficiently. As the Force has delegated responsibilities for Treasury Management to the Council, it is therefore reliant upon the Council to follow such guidance and regulations.
- 6.5 The Prudential Code was introduced in conjunction with the Local Government (Scotland) Act 2003 and provides a framework for the control of capital investments. The Force is required by regulation to comply with the Prudential Code when carrying out its duties under Part 7 of the Local Government in Scotland Act 2003 (Part 7 of the Act confers a duty on the Joint Police Board "to determine and keep under review the maximum amount which it can afford to allocate to capital expenditure").
- 6.6 The objective of the Prudential Code is to provide a framework for capital finance which will ensure that:

capital investment plans are affordable,
all external borrowing and long term liabilities are within prudent and sustainable levels,
treasury management decisions are taken in accordance with good professional practice,

and in taking decisions as set out above, the Joint Police Board is:

accountable by providing a clear and transparent framework.

Furthermore, the framework for considering investment plans supports:

local strategic planning,
local asset management planning, and
proper option appraisal.

- 6.7 The framework includes a set of prudential indicators that need to be considered together rather than individually. It integrates three key components, namely, capital expenditure plans, external debt and treasury management processes. This should allow for good financial management as the indicators are designed to support and record local decision making. The indicators will be unique to the Force and should not necessarily be used as a means of comparison with other public bodies. Circumstances may exist where one investment plan differs markedly from another in both nature and scale.

Treasury Management Governance Arrangements

- 6.8 Under the current arrangement (a shared services agreement), the principles set down within the aforementioned Local Government Investments (Scotland) Regulations 2010, will be adhered to by the Treasury Function within Aberdeen City Council.
- 6.9 A copy of the Treasury Management Policy and Strategy Report that was submitted to the Finance and Resources Committee of Aberdeen City Council in April 2011, is attached at Appendix A for information. This sets out the Council's Treasury Management Policy Statement and the Investment Strategy for the 3 year period 2011-14, thus demonstrating compliance with the Regulations.

Prudential Indicators

- 6.10 The Prudential Code requires the Force to review five key areas, namely, Affordability, Prudence, Capital Expenditure, External Debt and Treasury Management. These incorporate a range of specific Prudential Indicators, which are set out below and are based upon the best information available.

Prudential Indicators for Affordability

- 6.11 The aim is to ensure that the Force's investment in capital assets over the next three financial years is affordable and within sustainable limits. At the start of the current financial year (2011-12) the Force had £8.124m of long term debt. This originated from the capital expenditure incurred during the late 1980's and early 1990's.
- 6.12 The interest and loan repayments for this long term debt are supported in full by the Scottish Government, although 49% of the annual funding is routed through the Constituent Authorities and included within the annual requisitions.

- 6.13 Prudential Borrowing normally refers to the situation where the Force starts to borrow in order to part fund the proposed spend within the Capital Plan. It is important that the resultant revenue costs associated with interest charges and loan repayments are not prohibitive as this may adversely affect the Force's financial stability. The repayment of debt associated with Prudential Borrowing has to be found from existing revenue budgets and therefore consideration needs to be given to the affordability of such costs year on year.
- 6.14 The following indicators reflect the extent to which the underlying need to borrow impacts upon the Force's finances:

Prudential Indicator 1 - Actual and estimated ratio of capital financing costs to net revenue stream.

Actual/Estimated Ratio of Capital Financing Costs to Net Revenue Stream				
Actual 2010-11 %	Estimate 2011-12 %	Estimate 2012-13 %	Estimate 2013-14 %	Estimate 2014-15 %
1.40	1.40	1.40	1.20	1.04

- 6.15 This indicator is intended to measure the percentage of the Force's revenue funding that will be committed to meeting the costs of the borrowing used to fund capital expenditure.
- 6.16 The relative percentage is reducing over the five year period as some of the long term loan debt matures and is repaid. This historic long term debt is also fully funded. There is no requirement as yet for the Force to undertake any form of Prudential Borrowing.

Prudential Indicator 2 - Estimated incremental impact of capital investment decisions on the revenue budget.

Estimates of the Incremental Impact of Capital Investment Decisions on the Revenue Budget			
Estimate 2011-12 £000	Estimate 2012-13 £000	Estimate 2013-14 £000	Estimate 2014-15 £000
600	400	500	(1,700)

- 6.17 This indicator is intended to measure the incremental impact of capital investment decisions on the Force's revenue budget for the current financial year (2011-12) and the subsequent three financial years. The increases reflect the requirement to fund an element of the Capital Plan (in particular the new Custody Facilities in Aberdeen), from the revenue budget and from the Force's revenue reserves.

Prudential Indicators for Prudence

- 6.18 Whilst the issue of affordability is addressed by the indicators noted above, it is important that external debt is kept within sustainable and prudent limits year on year. Net borrowing over the medium and long term should only be used for capital purposes, consequently the Force should ensure that net external borrowing does not (except in the short term) exceed the total of the capital financing requirement.

6.19 However, as the Force does not operate a loans fund and the portfolio of long term debt includes only 15 individual loans with maturity dates extending from 2011 to 2056, it is more appropriate to compare the capital financing requirement with the notional loan debt balances at the end of each financial year. The Force has a significant net current assets' balance, which will be used to pay the loans on their respective maturity dates. Monies set aside for the repayment of these loans, are accruing within the short term investment balances year on year.

Prudential Indicator 3 - Net borrowing and the capital financing requirement.

Estimated Net External Borrowing and the Capital Financing Requirement				
	Estimate 31/03/12 £000	Estimate 31/03/13 £000	Estimate 31/03/14 £000	Estimate 31/03/15 £000
Estimated Net Borrowing	5,185	4,560	4,123	3,779
Estimated Capital Financing Requirement	6,629	6,004	5,567	5,223

6.20 The net borrowing totals equate to the balance of notional loan debt at the end of each financial year. There is a difference between the notional loan debt and the actual loan debt, and this is detailed in Prudential Indicator Number 6. The Force's estimated capital financing requirement exceeds its estimated notional borrowing position year on year and demonstrates a prudent capital investment strategy.

Prudential Indicators for Capital Expenditure

6.21 The Board is required to make reasonable estimates of the total capital expenditure that it plans to incur during the forthcoming financial year and the following two financial years.

6.22 The capital expenditure for the financial years as indicated are based on the agreed Capital Plan for the current financial year and the subsequent three financial years. Experience from previous years indicates that changes to planned capital expenditure programmes can become necessary during the year and the new flexibility provided by the Prudential Code may bring about unforeseen opportunities during the year, which the Force could take advantage of.

Prudential Indicator 4 - Actual/Estimated capital expenditure.

Actual/Estimated Capital Expenditure					
	Actual 2010-11 £000	Estimate 2011-12 £000	Estimate 2012-13 £000	Estimate 2013-14 £000	Estimate 2014-15 £000
Capital Expenditure	2,845	2,921	7,347	8,036	2,216
(Less) Receipts/ Contributions	(2,845)	(2,921)	(7,347)	(8,036)	(2,216)
Net Capital Expenditure	Nil	Nil	Nil	Nil	Nil

- 6.23 The Force will be able to fund capital expenditure directly from Capital Grant; useable capital receipts; a direct charge to revenue (CFCR - Capital Financed from Current Revenue) and contributions from other parties towards the cost of a project. Capital expenditure that is not able to be financed from one of these funding streams will increase the capital financing requirement. The calculation of the capital financing requirement is, therefore, intended to reflect the Force's underlying need to borrow for a capital purpose and may increase over time as it incurs capital expenditure, which is not funded immediately via one of the above methods.
- 6.24 The estimates will not commit the Force to particular methods of financing. The Treasurer, in consultation with the Force's Chief Finance Officer, will determine the means by which capital expenditure will be financed.

Prudential Indicator 5 - The estimated capital financing requirement.

Estimated Capital Financing Requirement			
31/03/2012	31/03/2013	31/03/2014	31/03/2015
£000	£000	£000	£000
6,629	6,004	5,567	5,223

- 6.25 After the year end the actual capital financing requirement will be calculated directly from the Force's balance sheet. The actual capital financing requirement exceeds the notional loan debt balance each year demonstrating that the long term loans are only being used to finance capital expenditure.

Prudential Indicator 6 - The actual capital financing requirement.

Actual Capital Financing Requirement	
	31/03/11
	£000
Actual Capital Financing Requirement	7,254
Notional Outstanding Loan Debt	5,810
Actual Outstanding Loan Debt	8,124
Short Term Investments	16,770
Net Current Assets	7,201

Prudential Indicators for External Debt

- 6.26 The Board is required to consider three indicators relating to external debt, namely the authorised limit for external debt, the operational boundary for external debt and actual external debt for the latest completed financial year.

Prudential Indicator 7 - Authorised Limit.

- 6.27 An authorised limit is required to be set for the Force's total external debt for the current and future financial years.
- 6.28 Based on the Force's approved Capital Plan, the authorised limit represents a maximum value which the Board's total external debt must not exceed. This indicator is intended as a backstop control mechanism over the Board's external debt position and is based on possible rather than probable events.

- 6.29 The estimates of what the Treasurer (in consultation with the Force's Chief Finance Officer) considers would be a reasonable authorised limit for the three financial years (2011-14) are included in the table shown below. The recommended limits are consistent with the Force's current commitments and existing plans / proposals within the revenue and capital budgets.

	2011-12 £000	2012-13 £000	2013-14 £000
Authorised Limit for External Debt	12,000	12,000	12,000

Prudential Indicator 8 - Operational Boundary.

- 6.30 This indicator focuses upon the day to day Treasury Management activity as employed by the Force. It is a means by which the Force will ensure that it remains within the self imposed authorised limit as indicated above. It differs from the authorised limit in that it is based on expectations of the maximum external debt of Grampian Police according to probable rather than possible events, and should be in line with the maximum level of external debt projected by the estimates. In this context total external debt needs to be expressed as gross of investments.
- 6.31 Unlike the authorised limit, an occasional breach of the operational boundary on a temporary basis should not be regarded as a significant problem but merely a situation which reflects the peaks and troughs nature of the Force's cash flow.
- 6.32 An operational boundary needs to be set for the current financial year and the following two financial years. This indicator is based on the Force's plans for capital expenditure (and financing) and an estimate of the most likely, but not worst case scenario on external debt.

	2011-12 £000	2012-13 £000	2013-14 £000
Operational Boundary for External Debt	10,000	10,000	10,000

Prudential Indicator 9 - Actual External Debt.

- 6.33 The Board is required to note what its actual external debt position was at the end of the latest completed financial year.
- 6.34 The Force's actual external debt as at 31 March 2011 was £8.124m.

Prudential Indicators for Treasury Management

- 6.35 Aberdeen City Council currently undertake the Treasury Management function on behalf of the Force. This includes the management of the Force's financial assets (including cash investments) and long term loans. The Council is authorised to act on the Board's behalf in financial dealings and does so through an agreed Service Level Agreement.

6.36 Under the Prudential Code, the Board is required to adopt the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services. Under the current arrangement the Force relies upon Aberdeen City Council to adhere to the principles set down within the aforementioned Code of Practice.

6.37 There are specific prudential indicators relating to interest rate exposures, the maturity structure of borrowing and the total of sums invested for longer than 364 days. However, these indicators will be managed as part of the Treasury Function within Aberdeen City Council.

7. REPORT AUTHOR DETAILS

Gary Craig, Deputy Director of Corporate Services
gary.craig@grampian.pnn.police.uk
Tel: 01224 305222



Chief Constable
12 January 2012

pp. Treasurer
12 January 2012

COMMITTEE: Finance and Resources
DATE: 21 April 2011
REPORT BY: Head of Finance
TITLE OF REPORT: Treasury Management Policy and Strategy
REPORT NUMBER: CG/11/038

1. PURPOSE OF REPORT

To outline Treasury Management Policy and Strategy for 2011/12 to 2013/14, for approval.

2. RECOMMENDATION(S)

The Committee is asked to consider the report and make recommendations to Council for approval as follows:-

- a) Consider and approve the Council's Treasury Management Policy Statement for 2011/12 to 2013/14, and
- b) Consider and approve the Council's Borrowing and Investment Strategy for 2011/12 to 2013/14, and
- c) Approve the revised Counterparty list as detailed at Appendix 3.

3. FINANCIAL IMPLICATIONS

Treasury Management activities influence the loans pool interest rates and aims to minimise the cost of borrowing. This directly impacts upon costs chargeable to the Council's revenue budgets through the interest rates that are applied to capital financing costs. Whilst the level of borrowing a Council can undertake is now devolved from the Scottish Government to individual Councils, it will still be constrained by the requirement for capital investment to be affordable, sustainable and prudent. The main test of affordability will be whether the capital financing costs can be contained within the revenue budgets.

4. SERVICE & COMMUNITY IMPACT

None

5. OTHER IMPLICATIONS

If an active Treasury Management policy is not undertaken and implemented there may be future budgetary implications for the Council through greater than budgeted capital financing costs.

6. REPORT

6.1 Introduction

The Council previously approved a Treasury Management policy on 17 June 2010. Part of this policy is to report annually on strategy for future financial years. A final report reviewing Treasury Management activities for the year, as well as a mid-year review, will also be presented to Committee in due course.

With effect from 1 April 2004, Councils are now required by regulation to have regard to the Prudential Code (the Code) when carrying out their duties under part 7 of the Local Government in Scotland Act 2003.

It is a requirement of this Code that Treasury Management is carried out in accordance with good professional practice. The Code requires the Council to comply with CIPFA "Code of Practice for Treasury Management in the Public Services", which this Council does. The 2009 update to the CIPFA Code of Practice states that Treasury Management Strategy must be approved annually by full Council.

Historically, the Council's annual programme of capital investment has been funded by Treasury Management activities, such as additional long-term borrowing.

6.2 Treasury Management Policy Statement 2011/12 to 2013/14

The proposed Treasury Management Policy Statement for 2011/12 to 2013/14 is set out in detail at Appendix 1, and is subject to annual review.

This Policy Statement uses a form of words as recommended by CIPFA in its Code of Practice for Treasury Management in the Public Services

6.3 Borrowing and Investment Strategy 2011/12 to 2013/14

The key changes within the Council's Borrowing and Investment Strategy for 2011/12 to 2013/14 are :-

to consider the use of longer-term LOBO (Lenders Option, Borrowers Option) loans;

to increase the Council's limit for investing in Collective Investment Schemes (specifically Money Market funds) from £20 million to £30 million;

changes to the maximum investment periods within the Council's Counterparty List, in line with professional advice.

Last year's report introduced new investment regulations which were approved by the Scottish Government. Under these regulations, Appendix 2 includes for Committee's consideration and approval, the Council's Borrowing and Investment Strategy for 2011/12 to 2013/14. This will be subject to annual review.

The process of setting this strategy takes account of the pre-existing structure of the Council's debt and investment portfolios.

The limits on fixed rate debt and variable rate debt within this Treasury Management Strategy may be subject to further change, in line with market conditions. However, any such change to these limits would be reported to Committee.

One of the key areas of the investment regulations is permitted investments. Under the regulations, local authorities are required to set out in their Strategy the types of investment that they will permit in the financial year. These will be known as permitted investments. The Council is required to set a limit to the amounts that may be held in such investments at any time in the year, although some types of investment may be classed as unlimited.

Permitted Investment instruments identified for use in the financial years 2011/12 to 2013/14 are listed in Appendix 2, together with the Council's Counterparty list which is listed in Appendix 3.

The Annual Investment Strategy is also required to identify:-

the different types of risk that each permitted type of investments are exposed to;

the objectives for each type of permitted investment;

details of the maximum value and maximum period for which funds may prudently be invested; and

procedures for reviewing the holding of longer-term investments

6.4 Other Developments

Prudential Code

The Council is required to comply with the requirements of the Prudential Code. This includes the setting of a number of Prudential Indicators. Included within these indicators are a number of Treasury Management Indicators for External Debt.

However, the Code does state "It will probably not be significant if the operational boundary is breached temporarily on occasions due to variations in cash flow. However, a sustained or regular trend above the operational boundary would be significant and should lead to further investigation and action as appropriate".

The Council has in place an early warning system to highlight when these indicators are likely to be breached. No indicators were breached during the previous year.

	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>
Operational Limit	£697.3m	£706.8m	£720.7m
Authorised Limit	£715.7m	£724.8m	£738.3m

National Limit on Local Authority Borrowing

HM Treasury has a reserve power to limit local authority borrowing for 'national economic reasons'. Legislation specifies that any such 'National Limit' would be used to protect the country's economic interest if local borrowing under the Prudential Code, albeit prudent locally, were unaffordable nationally.

In principal, a national limit could be set at any point during any financial year. Any such national limit would be implemented, based on local authorities outstanding borrowing with all future borrowing being reduced proportionately. There are no known plans for the introduction of a National Limit at this time.

7. AUTHORISED SIGNATURE

Barry Jenkins, Head of Finance, bjenkins@aberdeencity.gov.uk, (52)2551

8. REPORT AUTHOR DETAILS

Neil Stewart, Treasury Officer, nstewart@aberdeencity.gov.uk, (52)2696

9. BACKGROUND PAPERS

CIPFA "Code of Practice for Treasury Management in the Public Services", Sector Treasury Services "Treasury Management Annual Investment Strategy", Scottish Government "The Investment of Money by Scottish Local Authorities".

ABERDEEN CITY COUNCIL

TREASURY MANAGEMENT POLICY STATEMENT FOR 2011/12 TO 2013/14

The proposed Treasury Management Policy for 2011/12 to 2013/14 is as follows:

1. Aberdeen City Council will adopt CIPFA Treasury Management in Public Services Code of Practice. The Council will also have regard to the Local Government Investment (Scotland) Regulations 2010.
2. This organisation defines its treasury management activities as:
The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
3. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
4. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
5. The Council's appointed Treasury Advisors are Sector Treasury Services. Their expertise will continue to be used by the Council in making Treasury decisions in areas such as debt rescheduling, interest rate forecasts, market conditions, advice on new types of financial instruments and compiling the Council's Counterparty list.

ABERDEEN CITY COUNCIL

BORROWING STRATEGY FOR 2011/12 TO 2013/14

The proposed Treasury Management Borrowing Strategy for 2011/12 to 2013/14 is as follows:

1. Under the Prudential Code previous borrowing restrictions linked to consents no longer apply. Short-term PWLB (Public Works Loans Board) rates for periods of up to 10 years continue at relatively low levels and the strategy would be to borrow, if required, in these periods to take advantage of those rates. In addition to PWLB, there may be an opportunity to use longer-term LOBO (Lenders Option, Borrowers Option) loans later in the year, once interest rates start to rise again. Rates are monitored on an on-going basis to determine the optimum time to undertake any necessary borrowing. When decisions on new borrowing are being made, due consideration must also be given to the Council's Debt Maturity Profile.
2. Approximately 95% of the Council's borrowing is in fixed rate money which reflects the low interest rates in recent years. Whilst there is no immediate intention to reschedule debts in 2011/12, if opportunities arise to do so that will result in a decrease in the Council's cost of borrowing then these will be fully examined to determine whether this represents Best Value. Due care and attention to FRS 25 and 26 will be examined prior to entering any such commitment.
3. It is recommended that the Council sets an upper limit on its fixed interest rate exposures for 2011/12, 2012/13 and 2013/14 of 95% of its net outstanding principal sums.
4. It is further recommended that the Council sets an upper limit on its variable interest rate exposures for 2011/12, 2012/13 and 2013/14 of 30% of its net outstanding principal sums. This means that the Head of Finance will manage fixed interest rate exposures within the range 70% to 95% and variable interest rate exposures within the range 5% to 30%.
5. It is recommended that the Council sets upper and lower limits for the maturity structure of its borrowing as follows:

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate:

	Upper limit	Lower limit
Under 12 months	20%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	90%	25%

6. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

The Scottish Government defines 'Borrowing in Advance of Need' as *"borrowing undertaken by the local authority which will result in the total external debt of the local authority exceeding the estimated capital financing requirement of the local authority at the end of the next twelve month period"*.

INVESTMENT STRATEGY FOR 2011/12 TO 2013/14

The proposed Treasury Management Investment Strategy for 2011/12 to 2013/14 is as follows:

1. The Council's investment priorities are: -
 - (a) the security of capital and
 - (b) the liquidity of its investments.

2. The risk appetite of this Council is low in order to give priority to security of its investments. The Council will also aim to achieve the optimum return on its investments in line with proper levels of security and liquidity.

3. The Council's approved counter party list will be adhered to when making short-term investments and reviewed as necessary. This ensures that only those counter parties with the highest credit ratings are used within the maximum limits set. If it is considered necessary to make any changes to the list Committee approval will be sought.

4. Prior to the introduction of the new investment regulations, investments made by Scottish local authorities were limited to one year. This restriction was removed from 1st April 2010 and the Council accordingly wishes to make use of these new powers at times when such investing is both appropriate and attractive.

5. Short-term investment rates for periods of up to 1 year continue at relatively low levels and in line with the Council's borrowing strategy of borrowing short-term to take advantage of lower rates, the Council does not envisage having substantial surplus funds to invest. Therefore any surplus cash which the Council does have at it's disposal will be required to be kept fairly liquid for cashflow purposes, and accordingly will be invested on a short-term basis, using either Bank deposits or Money Market Funds.

6. Rates are monitored on an on-going basis to determine the optimum time to undertake any investments. When decisions on new investments are being made, due consideration must also be given to the Council's projected cashflow position.

7. With the introduction of the new investment regulations, the Local Authority investment market will start to develop new products. In order to protect against any possible loss of income, the power to add a new investment instrument to the list of Permitted Investments, should be delegated to the Head of Finance. Any such approval would be reported at the next committee meeting.

LIST OF PERMITTED INVESTMENTS

This Council approves the following forms of investment instrument for use as permitted investments: -

DEPOSITS - Unlimited (subject to individual Counterparty list limits)

Debt Management Agency Deposit Facility

Term deposits – local authorities (as per Counterparty list)

Call accounts – banks and building societies (as per Counterparty list)

Term deposits – banks and building societies (as per Counterparty list)

Fixed term deposits with variable rate/maturities (Structured deposits, as per Counterparty list)

COLLECTIVE INVESTMENT SCHEMES - £30m

Government Liquidity Funds

Money Market Funds

Enhanced cash funds

Gilt Funds

Bond Funds

GOVERNMENT SECURITIES - £10m

Treasury Bills

UK Government Gilts

Bond issuance (from financial institution guaranteed by UK Government)

Bonds issued by multilateral development banks

CORPORATE SECURITIES - £10m

Certificates of deposit (as per Counterparty list)

PERMITTED INVESTMENTS - NON TREASURY INVESTMENTS

The Council can also invest in the following areas, which are outwith the Treasury Management scope and would be subject to separate committee approval: -

- a) All share holding, unit holding and bond holding, including those in a local authority owned company;
- b) Loans to a local authority company or other entity formed by a local authority to deliver services;
- c) Loans made to third parties are investments;
- d) Investment properties.

TREASURY RISKS AND CONTROLS

All investment instruments listed are subject to the following risks: -

1. **Credit and counter-party risk:** this is the risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the organisation particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources. There are no counterparties where this risk is zero although AAA rated organisations have a very high level of creditworthiness.

Control: This authority has set minimum credit criteria to determine which counterparties are of high creditworthiness to enable investments to be made safely.

2. **Liquidity risk:** this is the risk that cash will not be available when it is needed. All counterparties are subject to at least a very small level of liquidity risk, as credit risk can never be zero. Liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument. However, it has to be pointed out that while some forms of investment e.g. gilts, CDs, corporate bonds can usually be sold immediately if the need arises, there are two caveats: - a. cash may not be available until a settlement date up to three days after the sale b. there is an implied assumption that markets will not freeze up and so the instrument in question will find a ready buyer.

Control: This authority has a cash flow forecasting model to enable it to determine how long investments can be made for and how much can be invested.

3. **Market risk:** this is the risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately. However, some cash rich local authorities may positively want exposure to market risk e.g. those investing in investment instruments with a view to obtaining a long-term increase in value.

Control: This authority does not purchase investment instruments that are subject to market risk in terms of fluctuation of their value.

4. **Interest rate risk:** this is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. This authority has set limits for its fixed and variable rate exposure in its Treasury Indicators in this report. All types of investment instrument have interest rate risk except for instruments with a variable rate of interest.

Control: This authority manages this risk by having a view of the future course of interest rates and then formulating a treasury management strategy accordingly which aims to maximise investment earnings consistent with control of risk or alternatively, seeks to minimise borrowing costs.

5. **Legal and regulatory risk:** this is the risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

Control: This authority will not undertake any form of investing until it has ensured that it has all the necessary powers and also complied with all regulations.

**ABERDEEN CITY COUNCIL
REVISED COUNTERPARTY LIST**

Appendix 3

As revised 21 April 2011

Deposits up to 12 months

UK Nationalised and Part Nationalised Banks - £20m limit

Lloyds Banking Group (includes Lloyds TSB Bank plc, Halifax Bank of Scotland)

The Royal Bank of Scotland plc
(includes National Westminster Bank plc, Ulster Bank Ltd)

UK Banks - £10m limit

HSBC Bank plc

UK Local Authorities, including Police Authorities - £10m Limit

Deposits up to 6 months

UK Banks - £10m limit

Barclays Bank plc

UK Building Societies - £10m limit

Nationwide Building Society

Deposits up to 3 months

Council's Bankers - £20m limit

Clydesdale Bank plc

UK Banks - £10m limit

Santander UK plc (includes Abbey, Alliance & Leicester plc, Cater Allen)

This page is intentionally left blank

Exempt information as described in paragraph(s) 8, 10 of Schedule 7A of the Local Government (Scotland) Act 1973.

Document is Restricted

This page is intentionally left blank