



Hampshire
POLICE AUTHORITY
for Hampshire & the Isle of Wight

Budget 2011/12 & Capital Programme 2014/15

Hampshire Police Authority Revenue Budget 2011/12 and Capital Programme 2011/12 to 2014/15

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Revenue Budget Summary 2011/12

	Revised Budget 2010/11	Forecast Budget 2011/12	Other changes	Growth	Savings (inc. Spend to Save)	Forward Budget 2011/12
	£'000		£'000	£'000	£'000	
Expenditure:						
Employees	290,309	300,847	(541)	394	(15,488)	285,212
Premises	10,742	11,777	(109)	250	(39)	11,879
Transport	5,044	4,871	89	0	29	4,989
Travel and Subsistence	3,101	3,158	83	83	138	3,462
IT and Communications	14,392	12,694	706	571	(822)	13,149
Supplies and Services	16,210	16,179	487	0	(1,991)	14,675
National Levies	930	953	167	0	0	1,120
Grants Paid	1,056	980	0	0	(224)	756
Capital Financing (net)	2,900	3,726	(170)	27	0	3,583
Total Expenditure:	344,684	355,185	712	1,325	(18,397)	338,825
Income:						
Service Income	(8,496)	(8,778)	(170)	0	1,370	(7,578)
Additional Specific Grants	(21,923)	(21,015)	6,211	0	972	(13,832)
Total Income:	(30,419)	(29,793)	6,040	0	2,342	(21,411)
Net Expenditure on Police Services:	314,265	325,392	6,752	1,325	(16,055)	317,414
Police Authority Expenses and Grants:	1,655	1,700	(3)	0	(179)	1,518
Election Costs	0	0	0	0	0	0
Interest on Balances	0	0	(150)	0	0	(150)
Inflation Provision	0	0	0	0	0	0
Total Overall Net Expenditure:	315,920	327,092	6,600	1,325	(16,234)	318,783
Contributions to / (from) Reserves:	(2,171)	(573)	(114)	0	(4,000)	(4,687)
Amount from General Grants and Taxation:	313,749	326,519	6,486	1,325	(20,234)	314,096
Funded by:						
Expected amount from General Grants	(213,014)	(202,600)	(9,655)		0	(212,256)
Council tax precept	(100,156)	(100,207)	(591)		0	(100,798)
Council tax collection fund surplus	(579)	(200)	(842)		0	(1,042)
Total amount funding expected:	(313,749)	(303,007)	(11,089)		0	(314,096)
Budget (surplus)/ shortfall:	0	23,512	(4,603)	1,325	(20,234)	0

Summary of budget pressures and growth 2011/12

Title	Detail	2011/12 Proposal £'000	2012/13 Proposal £'000	2013/14 Proposal £'000	2014/15 Proposal £'000
BCU Fund legacy costs	To continue with essential operational activity previously funded via the BCU Fund	394	394	394	394
Management of Digital Data across the Force	Enable sufficient storage of digital information to fulfil business requirement	273			
IMPACT	IMPACT - PND support for the IT secure infrastructure	198	248	264	264
Request for additional budget for HR Modernisation project	Additional budget is needed over the £700k already approved for this project. Maintenance costs were not originally included in the project budget	100	100	100	100
Strategic Maintenance	To reinstate this budget to former levels to ensure that the current force estate and its maintenance is not compromised	250	250		
Special Constabulary	Cost of doubling recruitment of Specials	83	83	83	83
New Force Data Centre	Update Netley Data Centre to replace the current facility at PHQ (revenue impact of £600k capital)	27	32	32	32
Total		1,325	1,106	872	986

Summary of savings 2011/12

Sources of funding	Amount £m
Reduction in supervisory ratios (78 ftes)	4.118
Reduction in vacant police officer posts not being filled (82 fte posts)	3.451
Zero Based Budget Review December 2010	1.698
Reduction in vacant police staff posts not being filled	1.132
Criminal Justice Department review	1.267
Reduce Special Priority Payments	1.000
Forensic Review	0.900
Incident Management Unit review	0.803
Reduce overtime	0.779
Zero Based Budget Review December 2009 Challenge	0.234
Police Authority savings	0.179
Crime Desk volume crime review	0.165
Communications Intelligence	0.150
Mobile phone contract savings	0.105
Youth Offending Team contribution (net)	0.057
Property services	0.056
Provision of hire cars	0.049
Detainee meals	0.032
Travel management	0.026
Review of Roads Policing Unit fleet	0.019
Area Car provision (1, 4 and 5 OCUs)	0.011
Scientific Services fleet	0.003
Use of 2010/11 underspend	4.000
Total	20.234

Grants receivable in 2011/12 budget

The list below includes all grants included in the 2010/11 budget. Throughout the financial year it may be possible to access additional grants. Most of these grants will be 'specific' or ring-fenced so an equal amount of qualifying offsetting expenditure would have to be incurred e.g. mobile data, Airwave, tackling knives, disclosure pilot.

Code	Spec/Gen	Grant	Amount (£)
GG100	General	Police grant	137,697,059
GG101	General	Revenue Support Grant	17,540,873
GG102	General	Redistributed Business Rates	56,747,683
SG100	n/a	Crime Fighting Fund	0
SG106	Specific	PCSO / Neighbourhood Policing	7,618,100
SG107	n/a	BCU Fund	0
SG108	Specific	Counter Terrorism/Special Branch	3,708,900
SG110	n/a	Rule 2 (IPLDP, SPP, SE Area, DNA, Rural)	0
SG309	General	Council tax grant	2,505,200

The GG codes are general grant based on funding formulae. The net increase in funding made available by the Government on these codes is usually the percentage increase referred to by the Government.

The SG codes are specific grant codes. Crime Fighting Fund, Rule 2 and BCU Fund have been merged into the Police General Grant from 2011/12. Neighbourhood Policing Fund (PCSO grant) will be maintained as a specific grant for 2011/12 and 2012/13, but is then expected to merge with Police General Grant from 2013/14.

The Authority has in the past received further additional specific grants during the course of the financial year. However, as these have to be spent on specific purposes from a budget viewpoint the income received will be netted off by additional expenditure, so there will be no net impact on the budget.

Government grant has effectively been reduced by £11.502m (5.14%) from 2011/12. The percentage reduction is the same for all police authorities. The total net reduction in central Government grants, including specific grant is forecast to be £8.848m (3.77%) because this includes £2.505m additional specific grant which will be received for freezing council tax.

In addition to the revenue grants listed above the Authority will receive £2,100,000 capital grant in 2011/12 (£3,598,000 in 2010/11).

Changes to the funding formula have been made but damping has been applied to 2011/12 and 2012/13 provisional settlements at the level of the average reduction. Therefore, every police authority will see a cash reduction in funding of 5.1% in 2011/12 and 6.7% in 2012/13. This compounds the funding loss for HPA caused by damping, from the £1.9m lost in 2010/11 to a loss of £17.326m in 2011/12.

Damping impact on police authorities in England

Local Authority	Relative Needs Amount	Relative Resource Amount	Central Allocation	Principal Formula Police Grant	Floor Damping	Formula Grant
City of London - Police	42.459	-0.165	0.450	31.649	-12.809	61.584
GLA - police	655.565	-66.532	273.513	1,127.736	35.298	2,025.580
Greater Manchester Police	131.576	-3.900	91.293	248.472	1.062	468.503
Merseyside Police	81.961	-2.975	47.004	137.765	7.494	271.248
South Yorkshire Police	46.066	0.000	46.432	110.770	2.022	205.290
Northumbria Police	57.890	-1.676	49.572	124.285	20.912	250.983
West Midlands Police	161.649	-2.090	92.785	272.888	-27.448	497.785
West Yorkshire Police	83.155	-1.667	79.238	192.654	-9.844	343.535
Avon & Somerset Police	34.148	-6.981	57.506	120.928	-20.329	185.273
Bedfordshire Police	11.114	-2.298	21.423	43.914	-0.971	73.181
Cambridgeshire Police	10.138	-3.630	27.655	53.739	-4.456	83.445
Cheshire Police	14.363	-6.738	35.276	69.514	10.331	122.746
Cleveland Police	25.678	-0.600	19.612	51.355	1.574	97.619
Cumbria Police	5.604	-2.428	17.397	33.055	15.553	69.182
Derbyshire Police	15.138	-2.779	35.435	70.155	-1.953	115.996
Devon & Cornwall Police	26.747	-9.287	59.446	118.940	-4.626	191.220
Dorset Police	5.842	-7.194	24.978	45.866	-2.598	66.894
Durham Police	16.720	-0.952	21.393	47.785	7.215	92.160
Essex Police	20.488	-11.349	61.257	117.610	-4.704	183.301
Gloucestershire Police	5.915	-4.169	20.794	39.052	-0.184	61.408
Hampshire Police	36.841	-11.452	66.226	137.967	-17.326	212.256
Hertfordshire Police	19.562	-10.668	38.638	79.480	-3.012	124.000
Humberside Police	27.987	-1.399	32.571	74.795	-3.620	130.333
Kent Police	26.358	-12.122	58.972	117.878	8.418	199.504
Lancashire Police	40.679	-3.785	50.758	114.339	5.095	207.086
Leicestershire Police	18.843	-1.923	35.155	72.433	-4.097	120.411
Lincolnshire Police	2.015	-2.378	24.803	42.863	0.174	67.477
Norfolk Police	9.384	-3.627	30.412	57.661	-3.043	90.786
North Yorkshire Police	0.499	-5.368	28.064	47.245	8.513	78.953
Northamptonshire Police	10.526	-2.673	24.414	48.560	-3.453	77.374
Nottinghamshire Police	32.019	-1.208	38.212	86.850	-11.997	143.875
Staffordshire Police	15.916	-3.809	37.538	74.172	-0.715	123.102
Suffolk Police	4.367	-3.503	25.513	45.906	0.885	73.169
Surrey Police	6.413	-14.443	39.143	70.029	4.149	105.292
Sussex Police	22.588	-14.029	55.205	108.978	2.088	174.829
Thames Valley Police	36.970	-18.580	78.641	158.155	-7.635	247.552
Warwickshire Police	5.127	-3.499	18.982	35.186	-0.509	55.286
West Mercia Police	6.537	-7.758	41.757	74.143	11.524	126.204
Wiltshire Police	3.956	-4.834	23.206	41.619	3.020	66.967
39 police authorities in England						
Gain from damping:		18				
Lose from damping:		21				

Source: Department for Communities and Local Government website:
<http://www.local.communities.gov.uk/finance/1112/1112breakdown.xls>

Ongoing effects of budget pressures, growth & savings

Budget pressures and growth

Description	2010/11	2011/12	2012/13	2013/14
	£'000	£'000	£'000	£'000
Body armour replacement programme	639	639	0	0
Mobile Data	841	841	841	841
HR Modernisation	700	0	0	0
Contribution towards reserves	566	0	0	0
IT support of Automatic Number Plate Recognition	287	287	287	287
IT Security	250	0	0	0
Local confidence surveys: increase for quarterly CDRP level	120	120	120	120
Counter Terrorism Exercise 2011	100	100	0	0
E-Borders Implementation	87	13	13	13
IT support of covert Airwave	72	72	72	72
Chemical, Biological, Radiological and Nuclear (CBRN) Annual Running Costs	52	52	52	52
Litho Printing Press	23	23	23	23
	13	13	13	13
	(60)	(60)	(60)	(60)
Total impact of budget pressures and growth	3,690	2,100	1,361	1,361

Savings

Description	2010/11	2011/12	2012/13	2013/14
	£'000	£'000	£'000	£'000
2009/10 underspend	(2,300)	0	0	0
Increase vacancy savings factor	(1,500)	(1,500)	(1,500)	(1,500)
Capitalisation of IT expenditure	(773)	0	0	0
Home to Work Mileage	(250)	(250)	(250)	(250)
Introduce Single User Rate	(275)	(275)	(275)	(275)
Remove lease car benefit for new starters	(8)	(8)	(8)	(8)
Delay vehicle purchases	(64)	0	0	0
Reduce essential users	(25)	(25)	(25)	(25)
Not replacing 5 motorcycles	(5)	(5)	(5)	(5)
Reduce Roads Policing Unit fleet	(4)	(4)	(4)	(4)
Criminal Justice Department	(187)	(187)	(187)	(187)
Forensics budget	(150)	(150)	(150)	(150)
Conferences budget reduction	(123)	(123)	(123)	(123)
Books & publications budget reduction	(100)	(100)	(100)	(100)
Bank Holiday overtime	(100)	(100)	(100)	(100)
IT Network contract	(100)	(100)	(100)	(100)
Energy Management Strategy	(75)	(75)	(75)	(75)
Forensic Resource Management Unit	(50)	(50)	(50)	(50)
Stationery and office consumables budget reduction	(40)	(40)	(40)	(40)
Internal window cleaning	(10)	(10)	(10)	(10)
Travel warrants	(10)	(10)	(10)	(10)
Running costs of corporate buildings	(3)	(3)	(3)	(3)
Total impact of savings	(6,152)	(3,015)	(3,015)	(3,015)
Net total impact	(2,462)	(915)	(1,654)	(1,654)

Updated Medium Term Financial Strategy 2011/12

	Forward Budget 2011/12	Forecast Budget 2012/13	Forecast Budget 2013/14	Forecast Budget 2014/15
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Expenditure:				
Employees	285,212	285,933	289,137	295,861
Premises	11,879	12,429	12,478	12,786
Transport	4,989	5,102	5,229	5,359
Travel and Subsistence	3,462	3,544	3,627	3,712
IT and Communications	13,149	12,332	11,467	11,732
Supplies and Services	14,675	15,009	15,061	15,429
National Levies	1,120	1,148	1,176	1,206
Grants Paid	756	668	685	702
Capital Financing (net)	3,583	3,883	3,899	4,174
Total Expenditure:	338,825	340,048	342,760	350,960
Income:				
Service Income	(7,578)	(7,758)	(7,940)	(8,126)
Additional Specific Grants	(13,832)	(13,832)	(6,214)	(6,214)
Total Income:	(21,411)	(21,590)	(14,154)	(14,341)
Net Expenditure on Police Services:	317,414	318,458	328,606	336,620
Police Authority Expenses and Grants:	1,518	1,726	1,762	1,806
Election Costs	0	0	0	0
Interest on Balances	(150)	(150)	(150)	(150)
Inflation Provision	0	0	0	0
Total Overall Net Expenditure:	318,783	320,033	330,218	338,276
Contributions to / (from) Reserves:	(4,687)	(551)	(551)	(551)
Amount from General Grants and Taxation:	314,096	319,482	329,667	337,725
Funded by:				
Expected amount from General Grants	(212,256)	(197,956)	(204,444)	(200,912)
Council tax precept	(100,798)	(104,277)	(107,876)	(111,600)
Council tax collection fund surplus	(1,042)	(1,042)	(1,042)	(1,042)
Total amount funding expected:	(314,096)	(303,276)	(313,363)	(313,554)
Budget (surplus)/ shortfall:	0	16,207	16,305	24,171

Summary of changes in current policies net revenue expenditure 2010/11 to 2011/12

Assumptions used in calculating pay and price changes:

Police officer pay	2.55% from 1 September 2010 0% September 2011
Police staff pay	2.58% from 1 September 2010 0% September 2011
Employers' National Insurance	10.1% UAP & 13.8% UEL (i.e. +1%)
Police officer pension contribution	24.5% of pensionable pay
Police staff pension contribution	19.1% of pensionable pay
Gas	13% in line with contract
Electricity	4.5% in line with contract
Rates	4.7% in line with RPI
Transport fuel	3.6% as per professional forecasting
All other items	2.5%

Assumptions used in Medium Term Financial Strategy

The main assumptions used when projecting forward:

Police officer pay	2.5% pa from 1 September 2013
Police staff pay	2.5% pa from 1 September 2013
Employers' National Insurance	10.1% UAP & 13.8% UEL (i.e. +1%)
Police officer pension contribution	24.5% of pensionable pay
Police staff pension contribution	19.1% of pensionable pay
Non-pay general	2.5% pa
Government grant	as per settlement
Council tax	3.4% pa (Office for Budget Responsibility)

Budgeted employee establishment (full time equivalents)

	2010/11	2011/12	2012/13	2013/14
Police officers	3,746	3,584	3,584	3,584
PCSOs	337	337	337	337
Police staff	2,484	2,599	2,599	2,599
Total	6,563	6,520	6,520	6,520

For the purposes of forecasting the cost of current policies in future financial years, the establishment remains the same in each financial year from 2011/12. However, the number of employees is expected to be lower than the budgeted amounts shown in the table above, particularly in later years, as savings required for 2012/13 onwards will be specifically identified and subject to consultation. The Medium Term Financial Strategy will be updated in September.

Note: The 2011/12 budget report contained a police staff establishment of 2,787 ftes but noted that this establishment would reduce as a result of the savings identified. (para 9.1). The final budget figure is a reduction of 188 ftes to 2,599 ftes.

Summary revenue budget and Hampshire Police Authority precept 2011/12

	Revised 2010/11 £'000	Budget 2011/12 £'000
Gross expenditure	346,339	340,343
Income and interest receivable	(8,496)	(7,728)
Net expenditure before grant	337,843	332,615
Specific grants	(21,923)	(13,832)
Expenditure net of specific grants	315,920	318,783
Contributions to/(from) reserves	(2,171)	(4,687)
Budget requirement	313,749	314,096
Funded by:		
Police Grant	(125,323)	(137,967)
Revenue Support Grant	(11,119)	(17,541)
National non-domestic rates	(76,572)	(56,748)
Total Government formula grant	(213,014)	(212,256)
Net surplus on collection funds	(579)	(1,042)
Precept met by council tax payers	100,156	100,798
Taxbase Band D equivalent dwellings	684,831	689,216
Council tax per Band D dwelling	£146.25	£146.25
Increase over previous year (£)	£4.14	£0.00
Increase over previous year (%)	2.9%	0.0%

Council Tax at each band 2011/12

Council tax at each band								
Band	A	B	C	D	E	F	G	H
£	97.50	113.75	130.00	146.25	178.75	211.25	243.75	292.50
No. of dwellings	105,772	176,663	214,097	137,717	93,894	52,426	30,245	3,315
Total number of dwellings							814,129	

Collection authority tax bases and share of precept 2011/12

Collection authority	Tax base	Precept (£)
Basingstoke and Deane	64,655.00	9,455,793.75
East Hampshire	48,332.33	7,068,603.26
Eastleigh	44,368.15	6,488,841.94
Fareham	42,796.00	6,258,915.00
Gosport	27,595.10	4,035,783.38
Hart	37,967.18	5,552,700.08
Havant	42,925.00	6,277,781.25
Isle of Wight	55,443.00	8,108,538.75
New Forest	73,047.60	10,683,211.50
Portsmouth	59,914.90	8,762,554.13
Rushmoor	31,671.86	4,632,009.53
Southampton	66,644.00	9,746,685.00
Test Valley	45,875.00	6,709,218.75
Winchester	47,980.46	7,017,142.28
	689,215.58	100,797,778.60

Band D Council Tax – Police Authorities in England and Wales

Rank	Shire police authorities	Band D council tax 2010/11	Band D council tax 2011/12	Increase in Band D council tax 2010/11 to 2011/12
		(£)	(£)	%
1	Essex	132.12	132.12	0.0%
2	Sussex	138.42	138.42	0.0%
3	Kent	138.68	138.68	0.0%
4	Cheshire	144.53	144.53	0.0%
5	Bedfordshire	144.77	144.77	0.0%
6	Hampshire	146.25	146.25	0.0%
7	Lancashire	146.27	146.27	0.0%
8	Hertfordshire	147.82	147.82	0.0%
9	Durham	153.41	153.41	0.0%
10	Thames Valley	154.30	154.30	0.0%
11	Devon & Cornwall	156.60	156.60	0.0%
12	Wiltshire	157.77	157.77	0.0%
13	Nottinghamshire	160.11	160.11	0.0%
14	Suffolk	160.74	160.74	0.0%
15	Derbyshire	163.74	163.74	0.0%
16	Humberside	166.47	166.47	0.0%
17	Avon & Somerset	168.03	168.03	0.0%
18	Cambridgeshire	169.56	169.56	0.0%
19	Leicestershire	169.63	169.63	0.0%
20	Warwickshire	174.10	174.10	0.0%
21	Staffordshire	177.61	177.61	0.0%
22	West Mercia	178.72	178.72	0.0%
23	Lincolnshire	179.28	179.28	0.0%
24	Dorset	180.00	180.00	0.0%
25	Cleveland	187.84	187.84	0.0%
26	Norfolk	191.16	191.16	0.0%
27	Northamptonshire	193.20	193.20	0.0%
28	Cumbria	193.89	193.89	0.0%
29	Surrey	198.54	198.54	0.0%
30	Gloucestershire	199.69	199.69	0.0%
31	North Yorkshire	204.55	204.55	0.0%
Average		167.03	167.03	0.0%

Hampshire difference from average -£20.78
 Hampshire 2010/11 council taxbase 689,215.58
 Difference from average x taxbase -£14,319,009
 Therefore, Hampshire and Isle of Wight council taxpayers pay
 £14m less than the shire police authorities average.

Hampshire Police Authority Precept 2011/12 Q&A sheet

What is the budget for Hampshire Police Authority in 2011/12?

The total budget figure in 2011/12 is £314.1 million, compared to £313.7 million in 2010/11, an increase of 0.11%.

What does this mean for the Council Tax level?

The police element of the Council Tax will be frozen. This freeze in the police element entitles Hampshire Police Authority to a government grant, equivalent to a local council tax increase of 2.5 per cent. This grant will equate to approximately £2.5 million. A Band D dwelling will still cost £146.25 for 2011/12.

What is the level of the Government grants?

The funding announcement in December 2010 meant that the Government general grant paid to Hampshire Police Authority has been reduced by 5.1 per cent for 2011/12 and 6.7 per cent for 2012/13 as a part of a 20 per cent cut in real terms over the next four years. The specific grants we receive from the Government for Neighbourhood Policing and Counter Terrorism will be at similar levels to last year so the reduction in total Government funding is 3.8% in 2011/12 and 6.3% in 2012/13. In Hampshire and the Isle of Wight this means the Police Authority grant has been reduced by £9million for 2011/12.

Although the reduction of Government grant for 2011/12 is £9m, inflation and other budget pressures mean that £20million of savings need to be found to balance the budget.

Where will the £20 million savings come from?

The majority of these savings will be delivered by making efficiency improvements that allow us to reduce the number of employees needed to deliver excellent services. No reductions will be made to frontline personnel.

The Authority has planned under-spends totalling £16million in the last two financial years to build reserves to smooth the funding loss and provide for the cost of change. £4million of reserves will be used as a one-off to balance the 2011/12 budget to allow sufficient time for sustainable changes to be developed and implemented.

We have a successful history of collaboration with other forces to deliver services more efficiently and make savings. Through these close relationships we intend to identify even more opportunities to do this and continue to respond to your needs.

We have used this opportunity to adapt and restructure the way the force operates and the Authority is aiming to deliver £50 million savings over the next four-years.

Will the frontline be cut?

The budget protects frontline targeted patrol teams, safer neighbourhood teams and local crime management until at least April 2012 and both the Authority and the Constabulary have the aim of protecting them right through until April 2015.

Why has the budget increased when the Government Grant has decreased?

Although the budget has been increased by 0.11% we are actually spending £6 million less in 2011/12 than we did in 2010/11. The tables below show the breakdown.

Explanation table	£m
Starting council tax income	101
Starting formula grant 2010/11	213
Starting specific grant 2010/11	22
Government reduction in formula grant	1
Government reduction in specific grant	8
Baseline increase requirements e.g. inflation, pay awards	11
Savings required	(20)
Council tax income 2011/12	102
Formula grant 2011/12	212
Specific grant 2011/12	14

Funding changes (£m)

	2010/11 £m	2011/12 £m	Change £m
Gross expenditure	346	340	-6
Service income	(8)	(8)	0
Specific grant	(22)	(14)	8
Reserves	(2)	(4)	-2
Net expenditure	314	314	0
General grant	213	212	-1
Council tax	101	102	1
Budget requirement	314	314	0

How will the budget be spent?

The majority of budget will again be spent on employees in order to continue to deliver excellent service.

Budget pressures and growth for new spending have been limited to £1.3million, of which £0.6million relates to essential IT expenditure to meet statutory and security requirements.

Officer posts have been removed from support roles and the officers returned to the frontline. Despite the funding reductions, there will be more officers, PCSOs and staff in frontline posts in 2011/12 than when the emergency budget funding reductions were first announced in June 2010.

How will this budget affect future years beyond 2011/12?

This budget includes £20m of savings. £16m of these savings are sustainable savings that can be saved year after year. This reduces the amount of savings need to be made to reach the £50m savings by 2014/15. Transformational change will be further scoped and begin to be implemented during 2011/12 with the aim of putting the Authority in a financial sustainable position from April 2012.

General and earmarked revenue reserves

General and Earmarked Revenue Reserves											
	Balance at 31/03/10	Movements in 2010/11	Balance at 31/03/11	Movements in 2011/12	Balance at 31/03/12	Movements in 2012/13	Balance at 31/03/13	Movements in 2013/14	Balance at 31/03/14	Movements in 2014/15	Balance at 31/03/15
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Reserve:	15,871										
General contribution from reserves approved in the budget		(387)		(387)		(387)		(387)		(387)	
Police Authority carry forward from 2009/10 underspend		(47)									
Force carry forward approved from 2009/10 underspend		(3,284)									
2009/10 underspend used to support 2010/11 budget		(2,300)									
Contribution to reserves for risk/capital in 2010/11 budget		566									
2010/11 estimated underspend		8,000									
2010/11 underspend used to support 2011/12 budget				(4,000)							
			18,419		14,032		13,645		13,258		12,871
Insurance Reserve:	394										
No changes expected - although this will depend on any major claims not fully covered by current insurance arrangements		0		0		0		0		0	
			394		394		394		394		394
Spend to Save Reserve:	386										
Gains paid out - Professional Standards		(250)				0		0		0	
Gains paid in - top up spend to save from savings		364									
Gains paid out - Procurement				(500)							
			500		0		0		0		0
Earmarked Reserves:	4,682										
ACRO surety (£1,000k in opening balance)		0									
Netley Business Plan (£25k in opening balance)		0									
Reserves which are carried on the balance sheet but are not totally controlled by HPA (e.g. Safer Roads Partnership, ACRO) or balances that have been agreed to be held.		(3,657)		0		0		0		0	
			1,025		1,025		1,025		1,025		1,025
Capital (Revenue Contributions) Reserve:	1,886										
General contribution from revenue account		200		200		200		200		200	
IT contribution for network replacement (£783k in open bal)		(533)		(250)							
Specific contributions from revenue account (net)		0									
Used to support capital programme		(1,303)		(200)		(200)		(200)		(200)	
			250		0		0		0		0
Total Revenue Reserves:	23,219	(2,631)	20,588	(5,137)	15,451	(387)	15,064	(387)	14,677	(387)	14,290

Protocols for reserves

Reserve	Purpose	Use of Reserve	Management and Control	Review Process
General	To provide an adequate balance for one-off expenditure or unforeseen additional costs that may arise during the year	To provide for unexpected events, such as a major crime investigation and / or unexpected financial changes during the year.	Treasurer	Finance Committee and Police Authority in preparing budgets and close of accounts.
Capital (Revenue Contributions)	To facilitate revenue contributions towards the financing of capital expenditure	To finance locally resourced capital expenditure	Director of Finance and Resources	Medium Term Financial Strategy, budget monitoring and close of accounts.
Insurance	To cover excess costs and additional claims	To supplement budgeted insurance premiums	Treasurer / Director of Finance and Resources	At least annually on close of accounts
Spend to Save	To provide funding for investment which will generate future savings	For approved investment purposes	Director of Finance and Resources	Reviewed annually
Earmarked	To provide for carry forward of planned savings on devolved budgets	To fund non-recurring expenditure in future years	Chief Constable / Director of Finance and Resources	Reviewed annually with close of accounts

Statement by Treasurer

Local Government Act 2003

1. The Act comprises of a series of duties and powers that give statutory support to important aspects of good financial practice.
2. Section 25 of the Act requires the Chief Financial Officer (the Treasurer) to report to the Authority when setting its council tax on:
 - the robustness of the estimates included in the budget
 - the adequacy of the financial reserves in the budget
3. The Authority is required to have regard to this report in approving the budget and council tax. It is appropriate for this report to be part of the council tax precept report to the Committee, provided that the content is also fully available to the Authority in making its final decision.
4. CIPFA guidance on reserves and balances provides the general framework for this report. This puts emphasis on the Medium Term Financial Strategy (MTFS). The MTFS was reported to the September 2010 Finance Committee and updated at the December 2010 meeting. The level of reserves has been scrutinised and a forward strategy set. Appendix H updates the forecast for reserves and appendix I sets out the purpose, use and monitoring of each reserve.
5. Section 25 of the legislation concentrates more on uncertainty within the budget year rather than what may be known losses or higher spending required in future years or greater future uncertainty.
6. The Authority's decision on the budget and precept for 2011/12 is the conclusion of the process involving consideration of the draft budget:
 - by the Committee in considering the MTFS and grant, budget and council tax outlooks in the Autumn;
 - by the Constabulary's ACPO Group;
 - by the Constabulary's Budget Workshop in October 2010 (at which the Authority was represented);
 - by including savings identified through the Change Programme;
 - budget consultation with residents, staff associations, business and council tax payers/residents associations.
7. The Treasurer has ensured that appropriate information and advice was given at all these earlier stages so that a positive opinion can be given at this stage.

8. In setting the budget the Authority should have regard to the strategic, operational and financial risks facing the Authority in the context of an overall approach to risk management. The risks include:
- Inflation
 - Police officer and police staff pay is provided at 0% increase for September 2011 and September 2012. Increases in cost in 2011/12 as a result of the full year impact of September 2010 inflationary increases are provided for within the budget. General prices (where appropriate) at circa 2.5%, with non domestic rates (4.7%), gas (13%), electricity (4.5%) and transport fuel (3.6%) higher based on specific forecasts. The increases for gas and electric are in line with the supply contract increase. These should be adequate, particularly for pay, but action might be required if inflation in some areas is greater than provided for.
 - interest rates are covered in more detail in the Treasury Management report to the February Finance Committee. The budget assumes that rates are fairly static or, if they do change, it is not likely to significantly adversely affect the budget;
 - pay drift – increments are budgeted for;
 - additional spending and savings included in the budget - details of these are fully set out and implications understood in previous consideration.
 - efficiency savings – there is a good track record covering the process and achievement of these, although this makes continuous achievement more challenging;
 - budgets and MTFS – these are well established processes;
 - strength of financial information and reporting arrangements – again well established with regular monitoring reports;
 - capital programme – payments generally tend to slip rather than accelerate. No significant expenditure on capital projects is expected to take place in 2011/12. Capital financing is provided for the completion of the new Southampton HQ and a provisional sum has been included for the preliminary work to formulate the Estate Development Programme. The Programme may require additional investment in the estate, but it is unlikely that significant costs will be incurred in 2011/12. The Estate Development Programme will endeavour to deliver improvements to the estate on a cost neutral basis, however, there are likely to be cashflow implications if new estate has to be made available, before existing estate can be disposed of. The overall strategy and associated cashflows will be developed in more detail in 2011/12.

- capital financing costs present a considerable strain on the revenue budget and the Authority will need to review the priority and timing of its commitments. Capital receipts are based on a detailed review of when assets become available for sale and will take into account any changes in property prices brought about by market rates;
- the level of borrowing and outstanding debt is relatively low but will increase in future years as major projects are undertaken and the availability of capital receipts reduces. An income budget for interest receivable has been included because of current balances and the level of income received in 2010/11. These matters are fully covered in the Treasury Management report and Prudential Indicators;
- the new Southampton HQ will be operational in 2011/12. An assessment of additional budget required has resulted in an additional £0.250m being included for expected increased premises costs, specifically for non-domestic rates. Further analysis of other premises related costs will be undertaken and actual costs will be monitored. This could result in further additional budget changes for Southampton HQ in 2011/12. Any further additional costs will be absorbed within the 2011/12 budget.
- contingent liabilities were reported in the 2006/07 to 2009/10 statement of accounts for the level of Special Priority Payment. The estimated exposure is circa £0.5m for each financial year;
- major incidents is the most uncertain risk, but the general reserve should be adequate based on previous experience;
- risk management and insurance arrangements have in recent years proved to be effective and not resulted in undue financial strain on the budget. A strategic risk register is used to record, monitor and manage significant risks. The strategic risk register is reported to the Authority's Governance Committee and the Force's ACPO Group;
- the Audit Commission in its 2009/10 Annual Audit Letter stated that the Authority's financial planning framework remains sound;
- the announcement of the budget settlement on 13 December 2010 provides greater certainty of grant levels for 2011/12 and 2012/13 in particular.
- risk of capping of the 2011/12 budget is thought to be very low as no increase in council tax is proposed, which is supported by Government policy and funding.

9. In setting the levels of reserves due regard has been given to Local Authority Accounting Panel Bulletin 77 issued in November 2008. This includes:

- the treatment of inflation and interest rates;

- estimates of the level and timing of capital receipts;
- the treatment of demand led pressures;
- the treatment of planned efficiency savings and productivity gains;
- the financial risks inherent in any significant partnerships, major outsourcing arrangements or major capital developments;
- the availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions;
- the general financial climate to which the authority is subject.

Capital Programme 2011/12 to 2014/15 – Approved Schemes Only

Spent prior to 31 March 2011	Those schemes which have already been approved and are either annual programmes or projects for which full business cases and / or project appraisals have been agreed (with the exception of those marked #).	Total Scheme Cost	2011/12	2012/13	2013/14	2014/15 and later years
£'000		£'000	£'000	£'000	£'000	£'000
	Finance and Resources Board:					
Annual Programme	Building Improvements	Annual Programme	26	162	395	500
48	Energy and water conservation programme	965	474	338	105	
37,324	Southampton OCU - accommodation project	38,324	1,000			
10	Netley - electricity supply issues (Vickery building)	359	349			
	# Estate Development Programme	1,000	1,000			
12,479	New Headquarters - Initial purchase / preliminary work	12,479				
	Total Finance and Resources Board:		2,849	500	500	500
	Information Management Board:					
Annual Programme	Capitalisation of IT equipment	Annual Programme	524	1,000	1,000	1,000
2,314	Network Replacement phase 1/2	2,314				
7,317	Airwave Project	7,317				
600	Replacement of Airwave equipment - initial wave	600				
35	Mobile Data	1,500	850	25	267	323
	# New Force Data Centre	700	600	100		
	Total Information Management Board:		1,974	1,125	1,267	1,323
	Transport Management Committee:					
Annual Programme	Vehicle Replacement Programme	Annual Programme	3,000	3,000	3,000	3,000
	# Vehicle Replacement Programme post Change Programme		500	500	500	500
	Total Transport Management Committee:		3,500	3,500	3,500	3,500
	Grand Totals:		8,323	5,125	5,267	5,323

Capital Programme Financing 2010/11 to 2013/14

	2011/12	2012/13	2013/14	2014/15 and later years
	£'000	£'000	£'000	£'000
Capital Programme Expenditure	8,323	5,125	5,267	5,323
Financed by:				
General Capital Grants	2,100	3,200	2,900	2,900
Capital Receipts - Residential properties	835		800	2,157
Capital Receipts - Operational buildings	750			14,150
Capital Receipts - Vehicles	300	300	300	300
Revenue Contributions - General	200	200	200	200
Revenue budget 2010/11 provision (Mobile Data)	341	341	341	341
# Revenue budget 2011/12 provision (New Force Data Centre)	27	32	32	32
# Revenue budget 2011/12 provision (Estate Development)	45	53	53	53
Balance available from unused capital receipts				
Balance available in Capital (revenue contributions) Reserve				200
	4,598	4,126	4,626	20,333
Balance of resources to carry forward to following year				(15,010)
Balance from borrowing or other funding arrangements	3,725	999	641	
Total funding requirement	8,323	5,125	5,267	5,323

Financial Health Indicators

	Actual 2009/10	Target 2010/11	Target 2011/12
Variance from budget			
Net service spend (%)	-2.6%	+/- 1%	+1%/- 1%
Amount met from grant & council tax (%)	-2.6%	+/- 1%	+1%/- 1%
Balances as a % of budget requirement	5.4%	1.5%	1.5%
Capital Programme			
Carry forward of schemes (% by value)	35.1%	20%	20%
Capital expenditure variance (%)	-35.1%	+/- 10%	+/- 10%
Capital receipts variance (%)	16%	+/- 10%	+/- 10%
Prudential Indicators			
Capital Financing Requirement	35.022	60.303	As per Prudential Code report
Authorised limit (£m)	20.2	60.3	
Upper limit – fixed borrowing (£m)	20.2	48.2	
Upper limit – variable borrowing (£m)	0	40.1	
Ratio of financing costs to net rev stream	0.45	1.30	
Income collection			
% of debt > 12 months old at end of year	2.8%	<17.5%	<17.5%
% of debt > 6 months old at end of year	3.6%	<20%	<20%
% of debt > 60 days old at end of year	26.1%	<60%	<60%
% of debt written off to debt raised	0.03%	<1%	<1%

Allocated account codes

Under the Scheme of Delegation, the budget is split between devolved account codes and allocated account codes. Budget holders are responsible for managing expenditure against allocated and devolved codes. The only difference is that budget holders are authorised to vire funds between devolved budget headings, subject to the £100,000 threshold reportable to the Finance Committee. From 2011/12, the only devolved account headings will be police overtime and police staff overtime. Budget holders will still have the same budget allocations available to them as they would have done if budgets were all devolved. However, any underspend generated on an allocated code will be used corporately to meet the highest corporate priorities.

Efficiency Strategy Register 2008-11 v31 April 2011

The Authority's target was to achieve £33m of efficiency savings over the three year period 2008-11, in line with the Home Office recommendations. The summary shows the Authority has exceeded the target set. The detailed savings are shown in the outturn report to the Finance Committee in June 2011.

Year	Cash	Non -cash	Total
08/09 actual	6,239	3,120	9,359
09/10 actual	19,960	7,110	27,070
10/11 outturn	23,035	369	23,404
2008/11 total	49,234	10,599	59,833

Partnership budgets

The Authority and Force work with other partners to deliver multi-organisation services in order to deliver optimum service and make best use of resources. The major financial partnerships are:

Partnership	Estimated gross value of income & expenditure 2011/12 (£'000)
Safer Roads Partnership	Unknown
Youth Offending Team	HPA contribution 591
Local Criminal Justice Board	80
Crime and Disorder Reduction Partnerships	No funds directly held

The Authority also hosts the ACPO Criminal Records Office (ACRO). The gross revenue income and expenditure is estimated at £7,655,000 as shown below:

ACPO Criminal Records Office Estimate 2011/12

Heading	£'000
Income	
Partnership income	(517)
Sales income	(5,550)
Specific grants	(1,588)
Total income	(7,655)
Expenditure	
Employees	4,762
Premises	800
Transport	5
Travel and subsistence	333
IT	477
Supplies & services	1,002
Net surplus for investment	276
Total expenditure	7,655

Note: Any surplus or deficit on the budget each year is carried forward by the ACPO Criminal Records Office on an earmarked basis either to invest in new development or to recover

Other relevant documents

This document contains a summary of the Revenue Budget for 2011/12 and the Capital Programme for the period to 2011/12 to 2014/15.

Further information is available in:

- * The Local Policing Plan
- * The Precept leaflet sent with council tax bills
- * The Efficiency Strategy
- * Reports to the Police Authority's Finance Committee:
 - Medium Term Financial Strategy 2010/11 to 2014/15 (Sep 10)
 - Budget 2011/12 (Dec 10)
 - Budget 2011/12 (Feb 11)
 - Consulting Local Communities on the Precept (Feb 11)
 - Prudential Code (Feb 11)
 - Capital Programme 2011/12 to 2014/15 (Feb 11)
 - Treasury Management (Feb 11)

Acronyms and abbreviations

ACC	Assistant Chief Constable
ACPO	Association of Chief Police Officers
ACRO	ACPO Criminal Records Office
CC	Chief Constable
CIPFA	Chartered Institute of Public Finance and Accountancy
DCC	Deputy Chief Constable
DoFR	Director of Finance and Resources
EPT	Efficiency and Productivity Team
ESLO	Efficiency Strategy Liaison Officer
HMIC	Her Majesty's Inspectorate of Constabulary
HPA	Hampshire Police Authority
HR	Human Resources
IMPACT	Information Management, Prioritisation, Analysis, Co-ordination and Tasking
IoW	Isle of Wight
MTFS	Medium Term Financial Strategy
OCU	Operational Command Unit
OS	Operational Services
PHQ	Police Headquarters
RAP	Resource Allocation Plan
SO	Specialist Operations
TO	Territorial Operations
ZBB	Zero Based Budgeting