

Hampshire Police Authority
Revenue Budget 2009/10 and
Capital Programme 2009/10 to 2012/13

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Revenue Budget Summary 2009/10

Forward Budget 2009/10	Original Budget 2008/09	Inflation	Other changes	Current Policies 2009/10	Growth	Savings	Budget 2009/10
	£000	£000	£000	£000			
Expenditure:							
Employees	276,470	12,433	2,018	290,921	899	(8,902)	282,918
Premises	9,542	427	(287)	9,682	0	0	9,682
Transport	4,608	561	(2)	5,167	0	0	5,167
Travel and Subsistence	4,396	113	111	4,620	0	0	4,620
IT and Communications	13,627	329	(1,181)	12,775	0	0	12,775
Supplies and Services	14,645	391	766	15,802	0	(100)	15,702
National Levies	840	23	0	863	0	0	863
Grants Paid	1,146	0	0	1,146	0	0	1,146
Capital Financing (net)	1,117	0	826	1,943	0	0	1,943
Total Expenditure	326,391	14,277	2,251	342,919	899	(9,002)	334,816
Income:							
Service Income	(10,577)	(286)	6	(10,857)	0	0	(10,857)
Additional Specific Grants	(24,807)	0	467	(24,340)	0	0	(24,340)
Total Income	(35,384)	(286)	473	(35,197)	0	0	(35,197)
Net Expenditure on Services	291,007	13,991	2,724	307,722	899	(9,002)	299,619
Police Authority	1,470	36	97	1,603	0	0	1,603
Interest on Balances	(1,270)	0	1,119	(151)	0	0	(151)
Inflation Provision	3,161	79	669	3,909	0	0	3,909
Total Net Expenditure	294,368	14,106	4,609	313,083	899	(9,002)	304,980
Contributions to/(from) Reserves	(182)	(5)	(93)	(280)	0	0	(280)
Amount from General Grants and taxation	294,186	14,101	4,516	312,803	899	(9,002)	304,700
		4.79%	1.54%	106.33%	0.31%	-3.06%	103.57%

Summary of reasons for changes in current policies net revenue expenditure 2008/09 to 2009/10

Assumptions used in calculating pay and price changes:

Police officer pay	2.65%
Police staff pay	2.6%
Electricity, gas & other heating fuels	13.8%
Water	6.5%
Premises maintenance	3.2%
Transport fuel	24.0%
Other items	2.7%

Based on Office for National Statistics index data

The overall cost of pay and prices inflation is equivalent to 4.79% of net expenditure on services

Changes in addition to inflation incorporated within the current policies budget:

Cost increase	£000
Pension injury awards	1,053
Interest receivable reduction	1,119
Additional capital financing	826
Provision of clinicians	454
Interpreters	350
Removal of counter terrorism specific grant	275
Removal of miscellaneous specific grant	200
Paid moves under Regulation 35	160
Computer examinations	80
Other (net)	(1)
Total	4,516

Summary of growth and savings 2009/10

Summary of growth

Source	Option	Growth £000	Officer fte	Staff fte
DCC	IMPACT Programme - national data sharing	899	0	14
Total growth identified from the above initiatives		899	0.0	14.0

Summary of savings

Source	Option	Saving £000	Officer fte	Staff fte
Eff Strat	IT contract renegotiation	100	0	0
Eff Strat	Corporate options review	1,250	-19.0	-11
Eff Strat	Shift Review – cash releasing	50	0	0
Eff Strat	Fixed Penalty Notice (Police National Computer Bureau)	600	0	-19
BRG	Redistribution of specialist resources	325	-8	0
BRG	Holmes Indexing, intel & forensics	500	TBC	TBC
BRG	Roads Policing Unit Management Team	200	-3	0
Wkshp	Reduce overtime in line with HMIC average	2,000	0	0
Wkshp	Collaborate on IT help desk	77	0	-2
Gold Gp	Force Chaplain	14	0	0
Gold Gp	Private medical treatment	100	0	0
Gold Gp	Reduce advertising	50	0	0
Gold Gp	Reduce Professional Standards Dept	150	-2	0
Gold Gp	Reduce Criminal Justice Dept posts	250	0	-15.5
Gold Gp	Reduce Initial Trainers x2 (max 180 students)	64	0	-2
Total savings identified from the above initiatives		5,730	-32.0	-49.5
Shortfall to be found from employee reductions		3,272		
Reduction in police staff (by end of financial year)		1,058		-65.0
Reduction in police officers		2,215	-49.2	
Total		9,002	-81.2	-114.5

Impact on posts

	Officers fte	Staff fte	Total fte
Budgeted Establishment	3,833.6	2,832.8	6,660.7
Establishment reductions in £5.730m savings above	-32.0	-49.5	-81.5
Increase in police staff for IMPACT Programme	0.0	14.0	14.0
Reduce police staff by 35 posts from 1 June 2009	0.0	-35.0	-35.0
Reduce police staff by a further 30 posts from 1 December 2009	0.0	-30.0	-30.0
Address remaining shortfall by reducing officers	-49.2	0.0	-49.2
Updated establishment	3,752.4	2,732.3	6,484.7
Net reduction in budgeted establishment	-81.2	-100.5	-181.7

Revenue budget 2009/10 analysed by portfolio holder

Approved Budget 2008/09	Portfolio and OCU/Dept	Approved Budget 2009/10
£'000		£'000
403	Chief Constable and ACPO	490
	Deputy Chief Constable	
6,811	Service Delivery Department	6,521
19,397	IT and Communications Department	18,672
891	Force Solicitor (including Licensing)	975
2,584	Professional Standards	2,233
0	Efficiency & Productivity	(1,058)
355	Head Office (including projects)	458
30,038		27,801
	Assistant Chief Constable 'SO'	
39,424	Crime OCU - 7	35,797
7,137	Criminal Justice Dept	7,912
0	Custody	2,146
1,069	Special Events	1,210
1,769	Head Office	1,355
49,399		48,420
	Assistant Chief Constable 'TO'	
164,122	Operational Command Units (OCUs)	169,787
	<i>Memorandum:-</i>	
35,395	<i>Central OCU</i>	36,193
13,447	<i>Isle of Wight</i>	14,006
32,033	<i>North and East OCU</i>	33,405
24,434	<i>Portsmouth</i>	24,739
28,624	<i>Southampton</i>	29,603
30,189	<i>Western</i>	31,841
13,888	Call Management	15,159
316	Head Office	377
178,326		185,323
	Assistant Chief Constable 'P&OS'	
24,802	Operations OCU - 8	24,775
2,528	Personnel	2,765
7,163	Training	6,957
325	Head Office	318
34,818		34,815
	Director of Finance & Resources	
9,644	Business and Property Services	8,811
1,336	Finance	1,512
2,738	Transport	2,990
149	Head Office	157
13,867		13,470
	General Items:	
1,230	Compensatory Grant	933
1,117	Capital Financing (net)	1,943
5,501	Budgets awaiting allocation	4,601
3,161	Inflation Provision	3,909
(182)	Contributions to / (from) Reserves	(280)
(986)	General Income	0
(1,270)	Interest	(151)
840	National levies	877
0	Injury award pensions	1,053
(23,546)	Specific Grants not allocated	(20,107)
(14,135)		(7,222)
292,716	Total Constabulary:	303,097
1,470	Police Authority	1,603
294,186	Total Net Expenditure:	304,700

Note: The analysis reflects the revised portfolios with effect from 15 June 2009

Summary revenue budget and Hampshire Police Authority precept 2009/10

	2008/09 £000	2009/10 £000
Gross expenditure	331,022	340,328
Income and interest receivable	(11,847)	(11,008)
Net expenditure before grant	319,175	329,320
Specific grants	(24,807)	(24,340)
Expenditure net of specific grants	294,368	304,980
Contributions to/(from) reserves	(182)	(280)
Budget requirement	294,186	304,700
<i>Funded by:</i>		
Police Grant	(118,472)	(121,851)
Revenue Support Grant	(10,237)	(16,065)
National non-domestic rates	(73,533)	(69,600)
Total Government Formula Grant	(202,242)	(207,516)
Net surplus on collection funds	(297)	(507)
Precept, met by council tax payers	91,647	96,677
<hr/>		
Taxbase Band D equivalent dwellings ('000)	676.164	680.296
Council tax per Band D dwelling	£135.54	£142.11
Increase over previous year (£)	£10.17	£6.57
Increase over previous year (%)	8.1	4.8

Council Tax at each band 2009/10

Council tax at each band								
Band	A	B	C	D	E	F	G	H
£	94.74	110.53	126.32	142.11	173.69	205.27	236.85	284.22
No. of dwellings	103,609	173,380	210,812	136,246	93,228	51,912	30,007	3,259
Total number of dwellings							802,453	

Collection authority tax bases and share of precept 2009/10

Collection authority	Tax base	Precept (£)
Basingstoke and Deane	62,657.70	8,904,285.75
East Hampshire	47,514.78	6,752,325.39
Eastleigh	43,666.14	6,205,395.16
Fareham	42,383.00	6,023,048.13
Gosport	27,670.70	3,932,283.18
Hart	37,892.60	5,384,917.39
Havant	42,674.00	6,064,402.14
Isle of Wight	54,892.50	7,800,773.18
New Forest	72,350.90	10,281,786.40
Portsmouth	59,139.50	8,404,314.35
Rushmoor	31,184.03	4,431,562.50
Southampton	65,661.50	9,331,155.77
Test Valley	45,327.00	6,441,419.97
Winchester	47,282.09	6,719,257.81
	680,296.44	96,676,927.09

Band D Council Tax – Police Authorities in England and Wales

Shire police authorities	2008-09	2008-09	2009-10	2009-10	%	%
	Own Band D council tax	budget requirement	Own Band D council tax	budget requirement	increase in Own Band D council tax 2008-09 to 2009-10	increase in budget requirement 2008-09 to 2009-10
	(£) (1)	(£) (2)	(£) (3)	(£) (4)	(5)	(6)
Essex	122.22	251,075,570	128.25	260,342,660	4.9%	3.7%
** Kent	128.25	266,880,000	134.65	276,490,519	5.0%	3.6%
Sussex	128.70	245,079,000	134.73	253,028,000	4.7%	3.2%
Bedfordshire	133.97	95,790,000	140.56	99,507,569	4.9%	3.9%
Cheshire	135.75	168,058,000	140.70	172,898,000	3.6%	2.9%
Lancashire	135.96	262,071,000	142.08	270,250,000	4.5%	3.1%
Hampshire	135.54	294,186,000	142.11	304,700,000	4.8%	3.6%
Hertfordshire	136.67	178,222,475	142.82	184,930,716	4.5%	3.8%
Durham	142.47	116,116,610	147.51	119,414,470	3.5%	2.8%
Devon & Cornwall	142.19	268,084,994	149.22	277,348,145	4.9%	3.5%
Thames Valley	144.76	356,100,977	151.27	368,863,969	4.5%	3.6%
Wiltshire	145.34	99,279,332	152.59	102,991,037	5.0%	3.7%
Nottinghamshire	145.62	184,691,802	152.82	191,908,590	4.9%	3.9%
Suffolk	149.67	106,859,580	156.06	110,334,213	4.3%	3.3%
Avon & Somerset	154.32	259,473,100	161.26	269,946,000	4.5%	4.0%
Derbyshire	148.44	157,222,626	161.32	165,072,871	8.7%	5.0%
Humberside	156.31	169,697,637	162.41	175,003,021	3.9%	3.1%
Cambridgeshire	156.87	120,650,227	164.70	125,606,967	5.0%	4.1%
Leicestershire	160.40	164,695,837	165.21	169,818,037	3.0%	3.1%
** Warwickshire	164.68	85,414,811	171.22	88,078,000	4.0%	3.1%
Dorset	164.25	111,791,785	172.44	115,933,100	5.0%	3.7%
Staffordshire	166.16	176,131,276	172.71	181,946,638	3.9%	3.3%
West Mercia	165.45	190,683,000	173.62	197,575,000	4.9%	3.6%
Lincolnshire	165.78	100,635,083	174.06	104,714,080	5.0%	4.1%
Cleveland	173.87	124,622,988	182.47	128,790,334	4.9%	3.3%
** Norfolk	177.22	137,901,000	185.58	142,669,403	4.7%	3.5%
Northamptonshire	178.62	114,800,000	186.66	118,652,000	4.5%	3.4%
Cumbria	179.46	97,395,323	188.25	100,300,120	4.9%	3.0%
Gloucestershire	188.45	99,142,500	193.99	102,219,000	2.9%	3.1%
Surrey	184.09	189,622,000	197.10	198,769,077	7.1%	4.8%
North Yorkshire	193.37	132,210,996	199.17	135,735,913	3.0%	2.7%

Source: Department for Communities and Local Government
 ** these are notional band D council tax figures as nominated for 2008-09

Precept 2009/10 frequently asked questions

What is the budget for Hampshire Police Authority next year?

The total budget figure in 2009/10 is £304.7 million, compared to £294.2 million in 2008/9.

What does this mean for the Council Tax level?

The police element of the Council Tax has risen by 4.8%. This is combined with the local council(s) and Fire and Rescue Authority amount to determine the actual Council Tax bill for a household. On a Band D dwelling this is a rise of £6.57 per annum or 55p per month.

Why is the Police Authority Council Tax rise higher than any of the local councils and fire and rescue authority?

Police authority council tax rises are traditionally the highest of all the local authorities. This is because Council Tax is a relatively small proportion of police finances, and therefore extra spending above a fixed grant increase falls on a smaller base, thus causing a higher percentage Council Tax increase.

Councils, fire and rescue and police authorities are funded in different ways and have different cost and service pressures.

Compared to other shire Police Authorities around the country, Hampshire is in the bottom quartile.

The Police Authority needs an extra £10.5 million this year – what for?

There are four main ways in which the extra money has to be spent:

1) Pay awards. In the previous financial year, the pay awards for both police officers and police staff were fixed for the next three years. Although this provides some financial certainty for the medium term, in the short term, there are budget adjustments that need to be made.

For police officers, the increases are 2.65% as at 1 September 2008, 2.60% from 1 September 2009 and 2.55% from 1 September 2010. For police staff, the increases are 2.6% as at 1 September 2008, 2.6% from 1 September 2009 and 2.58% from 1 September 2010.

2) Price increases. During 2008/09 significant inflationary pressure was experienced. Inflationary pressure is not expected to be such a factor during 2009/10, but the increases in 2008/09 have to be built into the 2009/10 budget.

3) Compulsory growth. The IMPACT programme is a technology-based project that will improve the ability of Hampshire Constabulary to manage and share information with other police forces. The programme was set up as a result of the Bichard Inquiry into the Soham murders. This is a national project and the Police Authority is unable to avoid the associated costs of it.

4) Cost of new headquarters and Southampton Police Station. These are two major capital schemes that the Authority will be undertaking in the next three years, and the Authority is borrowing money to pay for these.

If the Police Authority is getting more money, why are 200 posts being cut?

There is a £9.0m gap between the money the Authority receives through the Government grant and collection of Council Tax based at a 4.8% rise, and the money needed by the Authority to run an efficient and effective police force for Hampshire and the Isle of Wight. Therefore, a number of savings have been approved. One of these savings is the reduction in police officer and police staff posts.

It should be stressed that a reduction in posts does not necessarily mean any redundancies. The reduction in police officer posts has been achieved through natural wastage and by not filling vacancies that already exist. The reduction in police staff posts is being staged during the year and the Force aims to achieve this reduction by the same means.

To ensure that frontline services are protected, the Constabulary has undertaken reviews of its headquarters departments, which are expected to result in HQ-based police officers being redeployed to frontline duties, and a streamlining of HQ functions.

Won't this affect the way the community is policed?

Reviews carried out by Hampshire Constabulary as part of the Efficiency Strategy have looked at police officers working in roles for which a warrant card is not required. Many of these are carried out at headquarters. These roles could be performed at a lower cost by police staff specifically recruited for that role. This allows those police officers to be redeployed to frontline policing. New streamlined procedures aimed at reducing bureaucracy, making the best use of resources and implementing technological advances reduce the time taken to complete certain tasks, which means that the same, or more, output can be achieved with less officers and staff.

It is important to note that many frontline roles are carried out by police staff at the present time, such as Police Community Support Officers, Crime Scene Investigators, Detention Officers and Financial Investigators.

Are there any other savings that can be made?

Savings have been, and will continue to be, made by the Authority in order that it can provide effective policing with the budget given. In the past seven years, the Authority has made £60m of efficiency savings. However, because of this success, making efficiency savings that do not impact on the performance of the police is becoming more difficult. The level of government grant has been reduced on the basis that £30m of efficiency savings will be made over the next three years.

General and earmarked revenue reserves

General and Earmarked Revenue Reserves											
	Balance at 31/03/08	Movements in 2008/09	Balance at 31/03/09	Movements in 2009/10	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
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
General Reserve:	4,155										
Injury award pensions		(1,053)									
Contribution as approved within the budget		(182)		(187)							
Police Authority carry forward		(82)		82							
Repayment of 2007/08 overspend from non-devolved		1,331		1,169							
Repayment of 2007/08 overspend from devolved budgets		500		1,000							
			4,669		6,733		6,733		6,733		6,733
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
Cashable Efficiency Gains and Spend to Save Reserve:	0										
Gains paid in/out		0		0		0		0		0	
			0		0		0		0		0
Earmarked Reserves:	225										
Use for other approved carry forwards (Netley Business Plan)		(225)									
Movements in future years will depend on balances on devolved budgets and decisions made at the time relating to one-off growth proposals etc. - so no changes are shown				0		0		0		0	
			0		0		0		0		0
Capital (Revenue Contributions) Reserve:	4,448										
General contribution from Revenue Account		200		200		200		200		200	
Refunded contributions (work not taking place)		(121)									
Used to support capital programme		(4,527)		(200)		(200)		(200)		(200)	
			0		0		0		0		0
Total Revenue Reserves:	9,222	(4,159)	5,063	2,064	7,127	0	7,127	0	7,127	0	7,127

Note: As forecasted at the Hampshire Police Authority meeting on 17 February 2009. This will be updated during the year.

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 2008 Finance Committee and updated at the December 2008 meeting (Appendix B). The MTFS is reported to the Authority each autumn and the 2010/11 and 2011/12 financial forecasts arising from the 2009/10 budget are shown in Appendix G. Similarly the level of reserves has been scrutinised and a forward strategy set. Appendix J updates the forecast for reserves and as previously indicated identifies 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 precept for 2009/10 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 as set out in Appendix B of the budget 2009/10 report;
 - by the Constabulary's Resource Management Board;
 - by the Constabulary's Budget Review Group (at which the Authority was represented) which looked at one third of budgets as part of a three year programme to review all budgets in detail. Savings as a result of this process are set out in Appendix F of the budget 2009/10 report;
 - by including savings identified by the Efficiency Strategy Group, including representatives from the Authority and Treasurer. Savings as

a result of this process are set out in Appendix F of the budget 2009/10 report;

- at the Authority's Budget Review Group made up of the Chair of the Authority, the Chairman and Vice-Chairman of the Finance Committee and another member of the Authority. Savings as a result of this process are set out in Appendix F of the budget 2009/10 report;
- initial consideration by the Committee and the Authority which supported a council tax rise of about 5%;
- budget consultation with residents, staff associations, business and council tax payers/residents associations which were supportive.

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. As the forward forecasts and details of reserves are fully set out in Appendices G and J the uncertainties and risks include:

- Inflation
 - Police officer pay is provided at 2.65% with effect from 1 September 2008, 2.60% as at 1 September 2009 and 2.55% as at 1 September 2010. These levels have been agreed with the Federation, subject to review if there is significant change in inflation indices. The police staff pay award is not yet agreed but an option has been presented to UNISON members of 2.6% from 1 September 2008, 2.6% from 1 September 2009 and 2.58% from 1 September 2010. General prices (where appropriate) at 2.7%, with energy at 13.8% and fuel prices at an average of 24.0%. These should be adequate, particularly for pay, but action might be required if inflation in some areas is greater than provided for. Additional vacancy management within year is used to absorb any excess
 - 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 effect 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. However, there is a greater risk in closing the budget gap from anticipated reductions in staff numbers which may not be fully achieved as planned, or with neutral cost from vacancies and turnover of staff. Additionally, capacity in reserves is necessary to cover the risk

of any underperformance in making savings in 2009/10, or fully recovering the planned recovery of the overspend from 2006/07 by December 2009.

- 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. Significant capital expenditure will be incurred on Southampton OCU HQ and Alpha Park HQ replacement. Paragraph 4.3 sets out the considerable strain on the revenue budget as a result of the proposed increases to the capital programme and the Authority will need to review the priority and timing of its commitments. The capital programme, reported separately, has been split between those projects which are formally approved and those that await formal business cases. Revenue implications are only included for the approved schemes plus phase 2 of moving HQ to Alpha Park. Capital receipts are based on a detailed review on when assets become available for sale and will take into account any changes in property prices brought about by market rates;
- level of borrowing and outstanding debt – relatively low but will increase in future years as the two major projects are undertaken and the availability of capital receipts reduces. These matters are fully covered in the Treasury Management report and Prudential Indicators;
- contingent liabilities – liabilities were reported in the 2007/08 final accounts for the level of Special Priority Payment. The estimated exposure is circa £0.5m for 2007/08 and £0.5m for 2006/07;
- major incidents – this is the most uncertain risk, but the general reserve should be adequate based on previous experience;
- insurance – 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 Resource Management Board;
- external assessment – Audit Commission in its 2007/08 Annual Audit Letter stated that the Authority's financial planning framework remains sound;

- grant loss – the announcement of three year general grant settlements for 2008/09 to 2010/11 will allow certainty for those future years. The three year grant settlement also included a number of “Rule 2” specific grants, although some specific grants are still subject to annual approval.
- risk of capping of the 2009/10 budget – this has been fully set out in previous reports and considerations. The Government expects “the average council tax increase to be substantially below 5%” and “will not hesitate to use our capping powers as necessary to protect council tax payers from excessive increases.” The Authority has a below average grant rise and its level of Council Tax and reserves is below average relative to other police authorities. It is not thought that capping would be a significant risk at 5%.

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.

Efficiency Strategy 2008-11

Summary

One of the four strategic priorities for the police service 2009/10 is to deliver the other strategic priorities in line with the efficiency and productivity strategy for the police service, to ensure the best use of resources, to deliver significant cashable improvements and more effective deployment of the workforce, and to realise the benefits of new technology.

For 2008/09 a statutory performance indicator for efficiency gains was set:

“Each police authority and force in England and Wales is expected to achieve compounded, cumulative and cashable efficiency and productivity gains worth 9.3% of its 2007/08 Gross Revenue Expenditure (GRE) by the end of 2010/11.” For Hampshire Constabulary this represents £30 million, with a target set for 2009-10 of £10 million. The target is to be increased by a further 1% according to the Chancellor of the Exchequer’s budget speech.

Notwithstanding the above the Authority and Chief Constable wish to set challenging efficiency targets. Cashable savings are essential if the pressures to be felt as a result of the national economic situation are to be managed as well as meeting local expectation in terms of e.g. the capital programme, levels of reserves and service improvement.

The Chief Constable has outlined terms of reference for achieving this target and these have been further developed by the efficiency and productivity team (appendix A).

In order to identify the £30 million cashable efficiency saving, a number of work streams/strands have been identified and these are:

- Embedding a culture of Efficiency and Productivity
- Conducting departmental reviews
- Conducting OCU reviews (common functions)
- Collaboration and shared services
- Work force transformation
- Bureaucracy
- Income generation and sponsorship
- Identification of individual saving initiatives
- Resource management

Recommendations, shown in appendix B, have been made under each heading to reflect phase one and two of a proposed project programme. These now form the basis of the efficiency and productivity delivery plan. These

recommendations represent the initial action to be taken. Full business cases and costings will need to be produced in some cases.

Work will now be undertaken to assign the actions to relevant owners by the efficiency and productivity team who will monitor and report on progress made.

With regards to the immediate imperative to identify 104.5 police staff posts for surrender in order to balance the 2009/10 budget, all posts have already been identified.

Critical success factors for the delivery of this plan

The delivery of this plan will be contingent on the following enablers:

- Efficiency and productivity to be 'championed' by the Chief Constable and Deputy Chief Constable
- The ACPO Group , at an individual level, to accept ownership and drive activity in relation to actions assigned to them
- Leadership and management at all levels treating efficiency and productivity as a core responsibility
- For an appropriately resourced central team with the right skills and knowledge to support and co-ordinate the work

The Police Authority will be kept up to date on the progress of the Strategy on a formal basis by way of a monitoring report to each meeting of the Finance Committee. Informally the Director of Finance and Resources will brief the Treasurer on progress at their regular meetings.

Terms of reference - Efficiency and Productivity plan set by Chief Constable

Productivity and Efficiency Plan

Hampshire Constabulary has a good record of identifying efficiency savings, with some £60 million identified over the last seven years. This plan seeks to build on the hard work of the past to meet the challenges of the future, with the need to identify and realise efficiencies ahead that will enable us to continue to deliver an excellent service to the communities of the Two Counties within the restrictions of our budget, and to meet the challenging targets set by the Police Authority.

Terms of Reference

Lead by DCC, working with the Director of Finance & Resources- Reporting (monthly) to CC and ACPO Group

To consult on formal basis with UNISON in line with HR policies and Employment Law.

To engage with all staff associations.

To engage with HPA (via the Director of Finance & Resources to HPA Treasurer), to include a monthly briefing sheet.

Phase 1:

- To identify immediate savings for the financial year 2009/10, to include the reduction in police staff numbers to 2,732 by 31.12.09.
- To seek an immediate reduction in posts from across the constabulary. Frontline operational policing, public facing service delivery and legal requirements remain the priority in making these decisions.

Phase 2:

- To shape the organisation (for years starting April 2010) to improve service delivery and operational capability while achieving government efficiency targets (10% or £30M by 2011). We aim to use lean processes and be an organisation that is lean at the centre and strong on the frontline.

The following tools will be used in this process:

Benchmarking – comparing us to the best in policing/public sector

ZBB approach – to challenge the purpose, design and cost of each department with the intention of saving 10 -15% over the next 3 years. Reporting to ZBB Board chaired by DCC and attended by ACPO Lead and Dept Heads.

Scrutiny Panel – To examine all centrally controlled expenditure with the aim of reducing costs by 10 -15% over 3 years.

Shared Service – The Director of Finance & Resources will lead work to develop a business case to move to a shared service approach in HR, Finance and Procurement subject to the business case showing that this is in the interests of Hampshire and Isle of Wight taxpayers. To initially move to an internal shared service to include self service facilities, centralising transactional activities, use of 'e' services e.g. pay slips and reducing to absolute minimum HR/Finance and Procurement at OCU/Dept level. At the conclusion of this work we will seek collaboration on shared services either with other forces or elsewhere in the public sector.

Operational Support Review – To examine all expenditure on operational support. To challenge the nature of this provision i.e. why do we do it? Why do it other than in collaboration? What does the customer (OCU Operational staff) think of the support provided. What are the exact costs – can we afford the support? Can we reduce the cost by 10-15% of the next 3 years.

Innovation – To seek new approaches to supplier management and extend cost control.
To work with the existing Income Generation Board (Chaired by the Director of Finance & Resources) to seek new income generation opportunities.
To engage staff in canvassing ideas.

Training of Staff - Staff will be given appropriate training to develop a culture that understands how to manage finance, and how to deliver policing efficiently.

Increasing Collaboration - will be sought with other Forces where it leads to efficiency.

Reducing Bureaucracy - The Chief Constable will lead work seeking to reduce unnecessary bureaucracy.

Increased productive time - will be sought through effective sickness management and the application of efficient shift patterns.

Efficiency Strategy summary of recommendations

For the complete list of recommendations please refer to the Efficiency and Productivity Strategy. The following list provides detail around phase one recommendations that are likely to lead to real money cashable efficiency gains.

Where are we now?

- 1) To review the policing plan for 2009-10 to identify if enough guidance has been given in specific terms around what the relative priorities are for the delivery of policing services which would allow for budgets to be assigned accordingly. Owner Chief Constable and Police Authority.
- 2) Initial scoping is undertaken, to identify what current activity is being undertaken, that may result in both financial and/or service benefits. Owner Efficiency and Productivity Team (EPT)
- 3) Establish a benefits realisation infrastructure which captures future initiatives which have the potential to deliver financial and/or service benefits. Owner EPT

Embedding a culture of efficiency and productivity (E&P)

- 1) Senior executive to be set PDR role priority in relation to achieving targets for cashable efficiency gains within their area of responsibility. Owner appropriate line manager
- 2) Identify appropriate disaggregated targets for efficiency gains which are embedded in the force performance management framework and subject to quarterly review. Owner DCC
- 3) Efficiency and productivity awareness training to precede senior executive departmental review and OCU review meetings. Owner EPT

Departmental Reviews

- 1) Adopt consistent approach to departmental reviews by provision of a standard methodology to be employed by lead officer. Owner EPT.
- 2) To determine how best to deliver the most efficient and effective service delivery which reflects identified customer need. This will include a review of all internal structures, functions, process and posts in order to identify appropriate and properly risk assessed opportunities to produce real money cost savings.
- 3) Conduct four departmental reviews. Owner relevant ACPO Group member. It is suggested it is those reviews currently underway i.e. Training, Personnel, Finance and Information Technology.

OCU Reviews (Common Function)

1) Conduct a pilot OCU review to establish an appropriate methodology for further reviews. Owner EPT

Collaboration and Shared Services

1) Work to be conducted with a view to exploring a shared service approach in HR, Finance and Procurement. Owner DoF&R

2) To conduct a review of operational support asking why we do it? Why do it other than in collaboration? What does the customer (OCU operational staff) think? What are the exact costs? Can we reduce the cost by 10-15% in the next 3 years? This process should use the same methodology as for the other departmental review. See Appendix. Owner ACC SO

3) Continue to identify and develop collaborative opportunities with other Forces and Partners. From a productivity perspective it is important that the benefits realised by the collaborative opportunities are captured in an efficient and non-bureaucratic way. Owner EPT

4) To create a better understanding of past, present and future collaboration opportunities. To ensure that not only are the business cases implemented, but the savings and efficiencies identified are secured. Owner DCC

5) Support an ACPO regional review of back office functions with a view to identifying and supporting opportunities for collaboration beyond protective services. Owner DCC

6) To comply with HMIC's Review of Collaboration which is linked to the Policing Green Paper. Owner DCC

Work Force Transformation

1) To establish best practice national and to make recommendations as to what areas of the organisation would benefit from a consistent and uniform approach to work force transformation. This should draw upon the NPIA interim evaluation report on the demonstrator sites published in autumn 2008. Owner ACC OS

Bureaucracy

1) To enhance the work of the Chief Constables reducing bureaucracy group by the establishment of OCU reducing bureaucracy practitioner groups work which will address local issues as well as feeding the Chief Constables group with force and national level issues. Owner ACC TO

2) To ensure that the benefits identified from the reduction in any bureaucracy are realised and that they are properly costed and feedback. Owner Chief Constable

Income Generation and Sponsorship

- 1) To identify two strategic partnerships for further development and assign dedicated leads to take them forward. Owner DoF&R
- 2) To create a police charity such as that in Avon & Somerset. Owner DoF&R

Identification of Individual Saving Initiatives

- 1) A panel to be set up to scrutinise all centrally controlled expenditure with the aim of reducing costs by 10-15% over 3 years. Owner DoF&R
- 2) To continue with the ESLO working group which, should continue to be chaired by a member of the financial department in conjunction with Supt EPT whilst still in post. Owner EPT
- 3) To ensure the ESLOs' role is performed by deputy OCU and department heads to reflect the importance given to efficiency and productivity planning. Owner DCC
- 4) To explore the use of cross regional benchmarking contract management model as used in Kent and Essex which resulted in significant savings for those forces. Owner DoF&R
- 5) That a review of the procurement function within the Constabulary be conducted in conjunction with the review of contracts and centrally held budgets. Owner DoF&R

Resource Management

- 1) To work back from the full review of custody and make recommendations for interim solutions around force custody provision. Owner ACC SO
- 2) Best practice with regards to overtime management to be established and implemented consistently across the force. Owner ACC O/S
- 3) A review of OCU bank holiday staffing levels to be conducted using RAP methodology and recommendations made for a force level plan to be introduced by August 2009. Owner ACC TO
- 4) A review of custody provision on bank holidays to be conducted at a force level to identify the most efficient and effective way to deliver this service. Owner ACC SO

Capital Programme 2009/10 to 2012/13 – Approved Schemes Only

Spent prior to 31 March 2008		Total Scheme Cost	Updated Programme 2008/09	2009/10	2010/11	2011/12	2012/13
£'000		£'000	£'000	£'000	£'000	£'000	£'000
	Estates Programme Board:						
Annual Programme	Building Improvements	Annual Programme	1,418	500	500	500	500
1,719	Southampton OCU accommodation programme	35,000	3,681	18,800	10,800		
274	Netley - Inkerman Building remodelling project	1,910	1,510	126			
	Netley - electricity supply issues (Vickery Building)	358	338	20			
	New Headquarters accommodation programme						
765	- Initial purchase	10,966	10,201				
	# - Phase 1 (PHQ staff)	7,500	2,500	4,000	1,000		
	# - Phase 2 (Ember House, Bar End & Central Archive)	5,000	3,000	2,000			
	Retentions on completed schemes	60	60				
	Total Estates Programme Board:	60,794	22,708	25,446	12,300	500	500
	Information Management Programme Board						
143	Oberon Project	500	357				
			357	0	0	0	0
	Communications Board:						
7,241	Airwave Project	7,317	76				
31	Replacement of Airwave equipment - initial wave	600	569				
	Total Communications Board:		645	0	0	0	0
	Transport Management Committee:						
Annual Programme	Vehicles replacement programme	Annual Programme	4,789	3,500	3,500	3,500	3,500
	Total Transport Management Committee:		4,789	3,500	3,500	3,500	3,500
	Grand Totals:		28,499	28,946	15,800	4,000	4,000

Capital Programme 2009/10 to 2012/13 –Unapproved Schemes

# Those schemes that have been approved for inclusion in the programme but for which no formal business case and / or project appraisal has been agreed.	Total Scheme Cost	Updated Programme 2008/09	2009/10	2010/11	2011/12	2012/13 and later years
	£'000	£'000	£'000	£'000	£'000	£'000
Estates Programme Board:						
# IoW OCU Estate Strategy Implementation	6,000		250	2,500	2,500	750
# IoW OCU custody centre	3,600			1,800	1,800	
HQ Replacement Programme						
# Phase 3 - South West Hub	3,000		1,000	2,000		
	3,000	0	1,000	2,000	0	0
# Additional security measures across the Estate	1,250		950	300		
# SO Overt Hub for North	2,900				100	2,800
# SO Overt Hub for South East	4,800					4,800
# Netley - residential accommodation	3,500					3,500
# Netley - recruitment centre	500					500
# Netley - refit main kitchen (Victoria House)	250		250			
# Ventilation and thermal efficiency improvements	800		290	290	220	
# North & East OCU - Estate Strategy Implementation	16,300			500	6,800	9,000
# Western OCU - Estate Strategy Implementation	11,300			2,050	5,800	3,450
# Portsmouth OCU - Estate Strategy Implementation	18,550				1,550	17,000
# Central OCU - Estate Strategy Implementation	26,000				4,100	21,900
Total Estates Programme Board:		0	2,740	9,440	22,870	63,700
Communications Board:						
# Replacement of Airwave equipment	2,835			2,835		
# Update of Airwave operating software	1,500			1,500		
# Replacement of Altaris Command & Control equipment	2,565				2,565	
Total Communications Board:		0	0	4,335	2,565	0
Grand Totals:		0	2,740	13,775	25,435	63,700

Capital Programme Financing

	Updated programme 2008/09	2009/10	2010/11	2011/12	2012/13 and later years
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Capital Programme Expenditure - Approved Schemes Only	28,499	28,946	15,800	4,000	4,000
Financed by:					
General Capital Grants	3,854	3,854	3,854	3,854	3,854
Capital Receipts - Residential properties	1,200	0	0	700	3,500
Capital Receipts - Operational buildings				3,500	11,000
Revenue Contributions - General	200	200	200	200	200
Balance available from unused capital receipts	2,628				200
Balance available in Revenue (Capital contributions) Reserve	4,448				4,054
	12,330	4,054	4,054	8,254	22,808
Balance of resources to carry forward to following year	0	0	0	4,254	18,808
Balance from borrowing or other funding arrangements	16,169	24,892	11,746	0	0
Total funding requirement	28,499	28,946	15,800	4,000	4,000

Financial Health Indicators

	Actual 2007/08	Target 2008/09	Target 2009/10
Variance from budget			
Net service spend (%)	1.2%	+/- 1%	+/- 1%
Amount met from grant & council tax (%)	1.2%	+/- 1%	+/- 1%
Balances as a % of budget requirement	3.3%	1.5%	1.5%
Capital Programme			
Carry forward of schemes (% by value)	19%	20%	20%
Capital expenditure variance (%)	-40%	+/- 10%	+/- 10%
Capital receipts variance (%)	26%	+/- 10%	+/- 10%
Prudential Indicators			
Capital Financing Requirement (£m)	12.260	22.582	52.382
Authorised limit (£m)	13.7	80.0	62.7
Upper limit – fixed borrowing (£m)	3.2	80.0	52.6
Upper limit – variable borrowing (£m)	0	0	26.3
Ratio of financing costs to net rev stream	-0.22	-0.03	0.59
Income collection			
% of debt > 12 months old at end of year	6.4%	<17.5%	<17.5%
% of debt > 6 months old at end of year	8.1%	<20%	<20%
% of debt > 60 days old at end of year	28.4%	<60%	<60%
% of debt written off to debt raised	0.1%	<1%	<1%

Other Relevant Documents

This document contains a summary of the Revenue Budget for 2009/10 and the Capital Programme for the period to 2009/10 to 2012/13.

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 2008/09 to 2012/13 (Sep 08)
 - Budget 2009/10 (Dec 08)
 - Budget 2009/10 (Feb 09)
 - Consulting Local Communities on the Precept (Feb 09)
 - Prudential Code (Feb 09)
 - Capital Programme 2009/10 to 2012/13 (Feb 09)
 - Treasury Management (Feb 09)
 - Efficiency Strategy (most meetings)

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
OCU	Operational Command Unit
OS	Operational Services
PHQ	Police Headquarters
RAP	Resource Allocation Plan
SO	Specialist Operations
TO	Territorial Operations
ZBB	Zero Based Budgeting