

Police and Crime Commissioner

for Hertfordshire

MEETING	POLICE AND CRIME PANEL
DATE	2nd February 2017
TITLE	The Police and Crime Commissioner's 2017/18 Precept and Budget Proposal
SUBMITTED BY	The Chief Financial Officer of The Chief Constable and The Chief Financial Officer of the Police and Crime Commissioner

1. SUMMARY

- 1.1 In line with the requirements of the Police and Social Responsibility Act 2011, the purpose of this paper is to present to the Police and Crime Panel the Commissioner's precept proposal for 2017/18. The Police and Crime Commissioner (Commissioner) is proposing to increase the Band D Council Tax by £5.00 (3.4%) to a figure of £152.00. In arriving at this proposal, the PCC considered an alternative option which would have involved reductions in local policing.**
- 1.2 At the time of writing the report we have received provisional settlement information from the Home Office for 2017/18 grant funding. We expect final information in early February. Any final movements in grant funding will be reflected in the Commissioner's budget report which goes to the Strategic Executive Board meeting on 23 February alongside any further information that is required in concluding the scrutiny of the Commissioner's proposed budget for 2017/18.
- 1.3 This report sets out the precept proposal alongside the 2017/18 budget and the Medium Term Financial Strategy. The budget proposals are consistent with the PCC's Community Safety and Criminal Justice Plan.
- 1.4 Hertfordshire has a good track record of financial management, generating gross savings of £45.2m since 2011/12, and more latterly a significant

proportion of annual savings have been used to re-invest in new areas of demand e.g. Safeguarding.

- 1.5 In 2016/17 Hertfordshire reduced its Band D council tax by 0.55% to £147.00p and prior to this it had been held at its previous level of £147.82p since 2010/11. The proposal to increase the Band D Council Tax in 2017/18 by £5.00 or 3.4% will generate on-going income of £2.182m per annum and after taking into account the increase in tax base and collection fund surplus, total council tax income will increase by £3.485m. In announcing the grant settlement, the Policing Minister re-iterated that in reducing grant funding to forces the government took into account the scope to increase council tax income.
- 1.6 HMIC have recently graded Hertfordshire as good in terms of Efficiency. The OPCC is forecast to have reserves of £41.7m by the end of 2016/17 and it is projected that over the medium term period (2017/18 – 2021/22) the OPCC will continue to draw on reserves to:
 - a) offset the impact over the medium-term of the reduction in grant and standstill pressures through base budget support, thereby providing the financial headroom to re-invest in new areas of demand.
 - b) enable the force to fund time-limited restructuring costs that generate on-going efficiencies and assist in balancing the budget over the medium-term.
- 1.7 The force will continue to deliver efficiency savings to assist in balancing the budget and as set out above to re-invest in new areas of demand. There is a reliance on the Bedfordshire, Cambridgeshire and Hertfordshire (BCH) and Seven Force Collaboration Programmes to achieve these efficiencies. In addition the PCC is exploring the scope to generate long-term income from surplus estate assets and promoting greater collaboration between the police and fire services. The Constabulary's work on improving demand management is another means by which efficiencies and savings could be generated.
- 1.8 The Medium-Term Financial Plan will be updated on an annual basis taking into account financial risks and opportunities, the main ones being possible delays in achieving savings and the outcome of the Police Formula Funding review. In response to these uncertainties there is some scope to re-phase the use of reserves over the Medium-Term, look for further savings and/or there is scope to further increase precept levels during the medium-term period. Due to its low precept level, Hertfordshire has, under the current rules, flexibility to increase precept up to £5.00 or 3.4% per annum, generating on-going income of £2.182m.

1.9 Building on the medium term financial strategy, the key issues in constructing the 2017/18 budget have been:

- A reduction in underlying/cash Home Office grant funding of £1.506m.
- Standstill spending pressures of £2.589m.
- Time-limited Constabulary and OPCC spending pressures of £2.938m funded from £2.355m of Specific Reserves and £0.583m of Specific Grants.
- The investment of £1.709m in Constabulary and OPCC base budgets.
- A savings programme totalling £2.290m in 2017/18.
- An increase in precept income of £2.182m arising from the £5.00 (3.40%) increase in Band D Council Tax and the £1.303m growth in the Council Tax base and collection fund surplus.
- Use of £4.440m of reserves to support the base budget.

1.10 Table 1 below sets out the funding of the 2017/18 net budget including the resultant Council Tax Requirement.

Table 1 : 2017/18 Budget and Council Tax Requirement

	£'m
Net Budget 2016/17	182.138
Standstill Pressures	2.589
Investment	1.709
Savings	-2.290
Prior Year Use of Reserves	4.410
Use of Base Reserves	-4.440
Time Limited Spending Funded	2.938
Use of Specific Reserves	-2.355
Specific Revenue Grants	-0.583
Net Budget 2017/18	184.116
Less Home Office Settlement Grants	116.485
Less Collection Fund Surplus	1.303
Council Tax Requirement 2017/18	66.328

1.11 The report sets out the following information:

- Section 2: Police and Crime Plan, Performance Context And Financial Baseline
- Section 3: 2017/18 Funding Settlement
- Section 4: Precept Proposal
- Section 5: Standstill Budget and Time Limited Pressures
- Section 6: Reserves Position
- Section 7: 2017/18 Constabulary Investment Pressures
- Section 8: 2017/18 and Medium Term Savings
- Section 9: Police and Crime Commissioner Budget
- Section 10: Medium Term Financial Plan 2017/18 to 2021/22
- Section 11: Capital Programme

2. COMMUNITY SAFETY AND CRIMINAL JUSTICE PLAN, PERFORMANCE CONTEXT AND FINANCIAL BASELINE AND BENCHMARKING

2.1 In developing budget proposals and the Medium-Term Financial Plan the Chief Constable has strong regard to PCC's and national priorities, the changing picture relating to demand and performance and the scope to improve efficiency and demand management. The key priority, demand and efficiency issues shaping financial planning are set out below:

Updated Community Safety and Criminal Justice Plan

2.2 At the time of writing this report the Commissioner's updated plan is out to consultation. It sets out 5 key ambitions:

- Keep crime low
- Protect local policing
- Increase efficiency
- Keep tax low
- Focus on victims.

2.3 In support of these key ambitions the plan highlights a range of issues impact on resourcing:

- The picture of demand is changing, with the number of incidents attended by police that are linked to mental health doubling in the last two years, and in-line with the APCC and NPCC 'Policing Vision 2025' highlights a need to shift investment to early intervention and preventative measures in order to make best use of health, police and justice resources.
- The increasing number of police prosecutions for domestic abuse, such that it now makes up 13% of all crimes dealt with by the Constabulary. The PCC's plan sets out that preventing and tackling domestic abuse is one of his top priorities.
- The importance of preserving local policing and linked to this the need for preventative crime reduction activity through dedicated partnership working and building relationships with the community.
- The significant level of previously hidden fraud and computer misuse offences, projected at 5.8 million by the Office for National Statistics.
- A focus on resourcing the Constabulary to meet the national Strategic Policing Requirement (including terrorism, serious and organised crime, cybercrime, civil emergencies and child sexual abuse).
- Supporting the Specialist Capabilities review so as to ensure we have the right resources in highly specialist areas of policing services (including firearms, surveillance, roads policing and major investigations) and improve our efficiency in these areas through collaborative networks.

- Partnership working involving the OPCC and Constabulary in a range of prevention and early intervention projects involving Mental Health and Street Triage, modern day slavery and human trafficking, and potentially on-going support of the adults with complex needs project.
- Exploring the feasibility of introducing sustainable road safety behaviour changing solutions such as average speed cameras.
- Working with the Hertfordshire Community Foundation to make use of some of the funds generated through application of the Proceeds of Crime Act (POCA) and Criminal Finances Bill.
- Exploring new ways to generate long term income from Estate assets.
- Promoting better collaboration between the police and fire services and commissioning an independent review to examine whether there is a business case for bringing the fire and rescue service under the responsibility of the OPCC.

Demand and Performance

- 2.4 Across the range of measures Hertfordshire continues to perform well compared to its peer group but is experiencing increasing levels of demand particularly regarding Protective Demand and as measured by the volumes of calls received from the public and volume of incidents.
- 2.5 With regard to Protective demand there has been a significant increase in reported offences since 2014. In this period:
- Reported domestic abuse has increased by 39%,
 - The number of rape offences has increased by 66%. More recently the increase has plateaued although the level of historic domestic rape continues to rise due to improved victim risk referral assessments.
 - Offences relating to vulnerable victims (including Child Abuse, Trafficking and Adult Safeguarding) have increased by 78%.

The force is prioritising the response to these areas and this is reflected in the force Strategic Assessment alongside the response to Cybercrime.

- 2.6 With regard to overall demand as measured by 999 calls to the police and volume incidents there has been an 8.0% increase in both areas in the last year. There is no overall change in 101 call data over the period. Since mid-2013 there have been rising levels of recorded crime in Hertfordshire which was predicted following the HMIC Crime Data Integrity Inspection (CDI). The Constabulary expected the impact of CDI to have worked through by the end of 2015. However, recorded crime levels are continuing to rise and when taken together with the increase in call for service would indicate real rises in

crime. All crime (YTD) is up 4,770 crimes (12.4%) compared to the same period last year.

- 2.7 All forces were subject to CDI and have responded in different ways making comparisons more difficult. Hertfordshire's national position in respect of crime per 1,000 population has moved from 12th lowest in October 2015 to 15th lowest (27th highest) in October 2016. Within our Most Similar Group (MSG) of eight forces ¹, the Constabulary's absolute level of crime and levels of crime per population has also moved from lowest to 2nd lowest in this period.
- 2.8 The Criminal Justice Outcome (CJO) Rate for the same period sits at 23.1% compared to 25.6% achieved over the same period in 2015/16. However, Hertfordshire remains 1st in its MSG for CJOs.
- 2.9 With regard to other measures of performance:
- Victim Satisfaction Surveys^[3] show high levels of 'whole experience' satisfaction for victims of Dwelling Burglary (93.6% / 1st position within our MSG) and Vehicle Crime (92.7% / 1st position within our MSG). Satisfaction is slightly lower for victims of Violent Crime (81.6% / 3rd position within our MSG) and Hate Crime (86.9% / 2nd position within our MSG).
 - Crime Survey of England and Wales (CSEW) data^[4] suggests 81% of those surveyed in Hertfordshire had confidence in their local police (2nd MSG) and 69.8% believed they were doing an excellent job (2nd MSG).
 - Call handling performance sits at 94% of 999 calls answered within 10 seconds and 89% of 101s answered within 30 seconds.
 - In prioritising resourcing including re-investment requirements the Chief Constable is mindful of the key ambitions set out in the plan and increasing level of Protective demand. The re-investment plan is focused to resourcing the increased demand in Domestic Abuse. Work is on-going to assess workload in the Sexual Offences Investigation Unit following feedback from the recent HMIC Effectiveness inspection.

Demand Management

- 2.10 In the recent HMIC Inspection relating to Efficiency the force was assessed as good overall and with regard to planning for demand and its use of resources to manage current demand. However, the force was assessed as requiring improvement in understanding current and future demand. This was a key

¹¹ Avon & Somerset, Essex, Hampshire, Hertfordshire, Leicestershire, Staffordshire, Sussex, Thames Valley

^[3] Survey data is for the period 01/04/16 to 31/10/16. MSG positions for survey data is for the 12m period to 30 June 2016.

^[4] CSEW survey data is for the 12m period to 31 March 2016.

finding for the service as a whole and highlighted in the national report. In response to this finding the Constabulary is implementing a Demand Management and Productivity Strategy. This is aimed to both improve performance and efficiency through:

- Improving the identification of demand across the range of public, protective, internal, and non-statutory areas.
- Working in partnership to implement initiatives to reduce demand.
- Identifying areas of failure demand and acting swiftly to address
- Developing the organisation's predictive ability to forecast future demand.

2.11 It is anticipated that over the medium-term period there will be greater use of evidence based demand analysis to shape services so that they better address the sources of demand, and more effectively prioritise resourcing internally and with partner agencies.

HMIC Financial Benchmarking

2.12 HMIC have recently published their annual Value For Money profile that compares force position against MSG and nationally (41 forces). The key points to note are that Hertfordshire has:

- Between 25th -28TH highest level of demand for 999 calls, emergency incidents and recorded crime (for priority incidents and recorded fraud demand levels are 10th and 3rd).
- Overall spend nationally 29th highest, 7.4% below the average, MSG 3RD highest and 2.6% above the average.
- Approximately 35th highest grant / precept level, 11.0% below national average and 3.0% below MSG average.
- The fourth highest level of reserves spending, 350% higher than national average and 550% higher than MSG level.

In terms of specific service areas:

- Local policing (the biggest area - £77m) Hertfordshire is spending 0.4% below the national average and 8.9% above the MSG level. This is a high level of spend relative to overall spend.
- Spend on all other areas (grouped together) is 7.3%below the national average and 1.5% above the MSG average. Hertfordshire is spending below national and MSG average for public contact, custody, Criminal Justice, ICT, Estates and Joint Protective Services. This raises questions about the scope

to take significantly further savings in these areas and the potential impact on service levels.

- 2.13 Hertfordshire's proportion of spend on frontline policing (72.5%) is higher than the national (70.6%) and MSG (71.0%) averages (equivalent to £2.6m greater frontline spend) and conversely is lower in both business support and operational support areas (in both areas is 6th highest out of 8 in MSG). Appendix B provides further detail on specific service areas including OPCC and the make up of spend (workforce, non-pay and income).

Financial Baseline

- 2.14 The 2016/17 budget represents a financial baseline of £182.1m for net expenditure (£199.9m gross) which is funded from government grant and precept. Net expenditure in 2017/18 will increase to £184.1m.
- 2.15 Table 2 below sets out a high level summary of the budget and shows that gross expenditure will increase by circa £2.3m to £202.2m in 2017/18. The increase in gross expenditure is predominantly funded by the increase in council tax incomes offset by reduced government grant. The allocation of expenditure across the main service areas is based upon the best information available at the time of writing the report. We still await complete information on the level of specific grant funding and national charges and the 2017/18 gross expenditure figure may have to be amended to reflect the final allocation. Appendix A sets out the 2016/17 gross budget for cost centres included within each grouping.

Table 2 : 2016/17 and 2017/18 Budget Summary

	2016/17 Gross Budget £'m	2017/18 Gross Budget £'m
Local Policing Command & Crime Reduction	95.4	96.9
Protective Services	28.9	29.2
Operational Support	27.9	27.3
Organisational Support	34.8	35.5
Hertfordshire Corporate Budgets	6.6	6.3
Change & Operational Capability Reserves	2.3	2.1
Total Constabulary	195.9	197.3
Office Of The Police And Crime Commissioner	1.0	1.6
Commissioning Budgets	3.0	3.3
Total Office of the PCC	4.0	4.9
Total Revenue Budget	199.9	202.2

2.16 Net base spending in 2016/17 is forecast to be close to budget, with relatively small underspend and overspend variances compensating each other. One-Off / Time-Limited Spend is projected to underspend more markedly arising from the slower progress on the BCH Collaboration Programme.

3 2017/18 FUNDING SETTLEMENT

3.1 The 2017/18 provisional funding settlement generates a cash grant of £116.485m representing an overall reduction of £1.507m (1.28%). The main elements of the funding settlement are set out below.

3.2 The 2016 Autumn Statement broadly retained the approach to departmental public spending set out in the 2015 Treasury 4 year Spending Review (SR). In the SR the then Chancellor announced a funding settlement for the Police Service that keeps in-line with real spending pressures. This amounts to a £900m cash increase, although this is inclusive of an assumed £400m or 3.3% per annum increase in council tax income. Within the announcement the Chancellor signalled 'top-slicing' or allocating funding to the following areas:

- Counter Terrorism, base funding by 2020 of £500m per annum,
- Emergency Mobile Provision, £1bn of funding,
- National Crime Agency, £200m capital funding,
- Transformation Funding, to promote collaboration and joint working,
- Armed Response, strengthening capability.

3.3 The Police Service Provisional Settlement was announced on the 15th December setting out a 1.4% cash decrease to all forces' Police Grant (excluding legacy council tax grants). The decrease was higher than expected resulting from the government adjusting its assumptions around tax base growth such that they have been able to remove additional Core Police grant whilst maintaining their commitment that direct resource funding (grant plus precept) continues at broadly a flat cash level in 2017/18 based upon the assumption that all PCCs raise their precept by the maximum permissible.

3.4 The impact on Hertfordshire of the Provisional Grant Settlement is a 1.3% or £1.507m (cash) reduction, resulting in grant funding of £116.485m. Hertfordshire's overall decrease is slightly below that of the all force uniform level of 1.4% due to the government maintaining the cash level of council tax freeze legacy grants from the base.

3.5 The Final Settlement will be announced in early February and so the grant figures set out below in Table 3 may change. In recent years these changes have been minimal.

Table 3 : Summary of Grant Changes

	2016/17 £'m	2017/18 £'m	Change £'m
Police Formula Funding Grant	107.764	106.257	-1.507 (1.4%)
Council Tax Legacy Grants	10.228	10.228	-0.000 (0.0%)
Net Grant Funding Reduction	117.992	116.485	-1.507 (1.3%)

- 3.6 The Home Office set an overall control total for police force budgets including assumed precept income (termed direct resource funding) of £10.992bn in 2017/18. With regard to the medium-term projection it is assumed there will be a continuation of the cash freeze and applying the Government's forecast for future precept income growth, this would result in an annual cash grant reduction of circa £1.3m - £1.4m (1.1% - 1.2%) per annum. This projection has been built into the Medium Term Financial Plan. However, it should be recognised that the Policing Minister has signalled his intention to finalise the review of the Police Funding Formula for the 2018/19 funding settlement, and this could further reduce or mitigate the reduction in grant funding (see Section 3.9 below).
- 3.7 The Provisional Settlement confirmed that the £10.2m of ring fenced council tax legacy grant that Hertfordshire currently receives will be retained in 2017/18 prior to next year's formula review at which point there is a risk that some of this funding may be removed or that the ring-fence is removed.
- 3.8 As set out in Section 3.2 above, the Police Settlement contains an increased number of grant reallocations or top-slicing by the Home Office, to fund national priorities which now total £812m and includes:
- The expansion of the Transformation Fund to £175m (including £55m of the now defunct Innovation Fund), to develop and deliver specialist capabilities and is available for bids from forces. £32m will be provided for armed policing from this funding. See Section 3.10 below.
 - Police Technology Programmes £417m. These funds cover a range of areas including £195m for the Emergency Services Mobile Communications Project (ESMCP) the work programme delivering the Emergency Service Network (ESN); the replacement for Airwave. This amount includes an element for the refurbishment of force control rooms to be paid as a specific grant as forces transition to the new system. It is envisaged this reallocation will reduce as Airwave is replaced by the ESN.
 - Arm's Length Bodies £54m. Includes funding for HMIC PEEL and College of Policing direct entry schemes. The figure represents an increase in funding for the IPCC as it becomes the Independent Office of Police Conduct with an extended role. New reallocations totalling £45m include: £2m for the Gang Masters and Labour Abuse Authority, £15m to HMCS to meet additional costs associated with Pre-Charge bail reforms and £28m to retain flat cash resource grants for ROCUs and the national Crime Agency.

3.9 With regard to the Formula Funding Review and allocation of grant funding across forces, the new Police Minister has commissioned a review and it is anticipated that initial proposals will be ready by the end of first quarter 2017, thereby enabling consultation during 2017 and implementation in 2018/19. Under the existing funding system Hertfordshire did not receive the full level of grant funding as calculated by the formula, due to the floors and ceiling protection and subsequent uniform grant settlements. In addition the dataset used to determine force need has not been updated since before 2010/11 and does not reflect recent changes in population across the country. When the formula was last reviewed in 2015 the exemplifications showed a small increase in funding for Hertfordshire but this was before the impact of the London / national policing adjustment. However, Hertfordshire also receives a disproportionately high level of Council Tax Freeze Grant, some £3.7m which could be subject to a different method of allocation serving to reduce overall funding. Given these conflicting features the main (medium) planning scenario assumes no change in share of grant funding over the medium-term period.

3.10 Transformation Fund

In 2016/17 the force has received Transformation Funding for ERP, BCH business benefits, 7 Force Programme and Criminal Justice funding. A number of these projects include funding into 2017/18, which is projected at £0.264m. Looking forward the 2017/18 round of bids will be undertaken in the Spring, after the budget is set. The 2025 Vision signals a closer integration between national programmes and the allocation of Transformation funding, potentially limiting scope to access funding for force or collaborative programmes. The Home Office has announced funding for Hertfordshire of £0.578m to support ESN Control Room Upgrade costs. It is assumed at this stage that this funding will be wholly allocated against the sizeable ESN capital costs as set-out in Section 11.

At this stage the Medium-Term Plan assumes the force will attract £0.5m per annum of Transformation funding from 2018/19 to meet time limited Change programme costs.

4 PRECEPT PROPOSAL

4.1 **In setting the precept level for 2017/18, the Commissioner had to respond to a number of changes since setting the budget last year. Significant among these were an increase in pressures from areas such as Domestic Abuse Investigation and Safeguarding and a delay in the projected savings from collaboration. The Chief Constable advised that, unless alternative income could be found, the only way that the budget could be balanced was by reducing local policing teams. As this would have gone against a key area of the Commissioner's plan, he has decided not to accept them and therefore proposes to increase the Band D Council Tax to £152.00p, an increase of £5.00p (3.4%).** The resulting council tax bands and indicative district precepts are set out in Appendix D. Final tax base and collection fund figures have now been received from each of the ten district councils.

In 2016/17 Hertfordshire reduced its Band D council tax by 0.55% to £147.00p and prior to this it had been held at its previous level of £147.82p since 2010/11. In the period since the beginning of 2010/11 the cost of living as measured by C.P.I. has increased by approximately 16%.

Hertfordshire now has the fourth lowest police Band D council tax some 10.5% (equivalent to £7.5m) below that of its Most Similar Group average and 15.6% (equivalent to £11.8m) below the national average. Income to be raised from council tax in 2016/17 is £64.146m inclusive of a collection fund surplus of £1.100m and will increase to £67.631m in 2017/18.

The Government's 2015 Spending Review announcement set-out greater flexibility for OPCCs with a council tax level in the ten lowest forces excluding the City of London, of which Hertfordshire is one (currently 9.6% below the threshold), allowing them the ability to increase the Band D equivalent by up to £5.00 without requiring a local referendum. Based upon the current tax base such an increase in the Hertfordshire council tax would generate an additional £2.182m of income in 2017/18, equivalent to a 3.4% increase, providing a significant source of on-going income. If this flexibility is maintained across the remainder of the medium-term period (2018/19 – 2021/22) and Hertfordshire's council tax level continues to be in the bottom ten forces it could generate precept income of £8.727m by the end of the 4 year period.

The maximum increase for forces outside the bottom quartile is 2.0%. This would be equivalent to a £1.278m increase in precept income in Hertfordshire. If the Government maintains this approach across the remainder of the medium-term period (2018/19 – 2021/22) and Hertfordshire precept increases in-line with this limit it would generate additional precept income of £5.468m by the end of the 4 year period.

- 4.2 An important element of precept is the tax base representing the number of Band D equivalent properties. All district councils have now confirmed their final base and collection fund figures. These figures indicate an annual growth in tax base of 1.7% equivalent to £1.100m. In addition the collection fund surplus which is one-off income and potentially quite volatile is forecast to increase by £0.203m and stand at the high level of £1.303m. This is equivalent of 1.9% of precept income. Based on these tax base and collection fund figures and the PCC's precept proposal, the budget builds in an increase in income from council tax of £3.485m in 2017/18.
- 4.3 If the increase in Council Tax income (including taxbase and collection fund) varies across the Strategic Alliance forces (Bedfordshire, Cambridgeshire and Hertfordshire) this would lead to a small re-allocation of charges across the three forces, necessitating a compensating adjustment in the use of Base Budget Reserve. It is anticipated that this would be reflected in the final budget paper submitted at February Strategic Executive Board.
- 4.4 Looking forward, our MTFP projection for 2018/19 – 2020/21 assumes that over the medium-term period the taxbase continues to increase at the current level up to 2019/20 with the rate of increase reducing to 1.0% in the final 2 years, and that the collection fund surplus falls to £0.7m by 2021/22. At this

stage the Net Budget Gap projections assume the Band D Council Tax is maintained at the increased level over the medium term. The approach to precept will be reviewed by the Commissioner as part of the annual budget setting process.

5 STANDSTILL BUDGET AND TIME LIMITED PRESSURES

- 5.1 Table 4, sets out the forecast standstill budget over the medium term. The stand still budget delivers the same level of service as in the current financial year. Latest estimates are that the standstill budget will increase by £2.6m (1.4%) in 2017/18. The detailed yearly movement in the standstill budget is explained in the paragraphs below. In addition Constabulary cost pressures arising from one-off spending needs have been shown totalling £2.4m (1.3%) in 2017/18.

Table 4 : 2017/18 to 2021/22 Cumulative Increased Standstill and Time Limited Pressures

	2017/18 £'m	2018/19 £'m	2019/20 £'m	2020/21 £'m	2021/22 £'m
Unavoidable Pressures:					
Staff and Officer Costs	1.250	2.917	4.601	6.301	8.018
Apprentice Levy, Police Now & Auto Enrolment	0.750	0.525	0.525	0.525	0.525
LGPS Triennial Valuation	-0.175	-0.175	-0.175	-0.175	-0.175
Non-Pay	0.584	1.470	1.855	1.740	2.125
Sub-Total: Unavoidable Pressures	2.409	4.737	6.806	8.391	10.493
Previous Decisions:					
Interest on Balances and Minimum Revenue Provision/ Capital Financing	0.180	0.230	0.360	0.518	0.676
Total Standstill Pressures	2.589	4.967	7.166	8.909	11.169
Constabulary Time Limited Pressures	2.364	2.100	1.850	1.550	1.500
Cumulative Budget Increase (£'m)	4.953	7.067	9.016	10.459	12.669
Budget Increase (%)	2.7	3.9	5.0	5.7	7.0

- 5.2 **Officer and Staff costs** – increases of £1.250m in 2017/18 and £8.018m up to 2021/22 to reflect:

- **Pay Awards** – The police officer and police staff pay awards for 2017/18 are projected at £1.0m and £0.6m respectively reflecting a 1.0% per annum increase from September 2017 in line with continued public sector pay restraints. Increases of 1.0% per annum, in line with government planning assumptions, have also been assumed from September 2018 onwards.

- **Police Officer Pay and Allowances** – Funding of £0.400m will be removed from these budgets in 2017/18. Following a review of projected average police officer pay it has been determined that the on-going need to fund incremental progression across all police officer ranks in 2017/18 is offset by a reduction in the average level of police officer pay resulting from the current retirement spike and both recent and planned recruitment of student officers onto the new shorter police constable pay scales which contains lower starting increments than the previous scheme.. The resultant reduction in average police officer pay totals £0.400m. Included within the police pay budget is the cost of recruiting 8 graduates under the Police Now scheme (see Section 5.3 below).
- **Police Staff Increments** – A review has been undertaken of the police staff increment entitlement of the current work force and when assessed against current turnover rates it is anticipated the cost of new increments payable during the year can be offset by appointments at lower pay scale points. It should be noted that the Police Staff budget already contains a £2.0m ‘vacancy/turnover factor’ part of which reflects the recruitment of new staff onto the bottom of the pay scale and that many vacancies continue to be filled by agency staff. There is a risk that spending pressures will increase in this area generating an overspend, if the existing relatively high police staff turnover rate does not continue. This area of expenditure will be closely monitored so that control measures can be put in place in the event of higher spend pressures.

5.3 **Apprenticeship Levy, Auto Enrolment and Police Now £0.750m**– The constabulary faces a number of employee related pressures arising from changes to legislation:

From April 2017 all employers in the UK with an annual pay bill of more than £3 million will be charged an apprenticeship level equivalent to 0.5% of their total pay bill subject to Class 1A National Insurance contributions less an annual levy allowance of £15k. Employer levy payments will be credited to a digital account and credited by a further 10% and must be spent on the training of apprentices within 24 months. At this stage it is anticipated that training expenditure for police officer probationers will meet these requirements. BCH has established a working group to identify how we can best manage and operate the scheme, and to select our preferred model of delivery, prior to registering on the Government’s Register of Accredited Training Providers (RoATP) in one of the four periods of registration open next year and in advance of the College of Policing’s apprenticeship scheme being finalised in April 2018. The working group will seek to identify training requirements for our staff and select more localised apprenticeship schemes, possibly partnering with local Higher Education establishments, to utilise our fund. At this stage a high level assumption has been made that there will be very limited scope to reclaim in 2017/18 but that this figure will increase from 2018/19 onwards. Overall the net levy and the administration of the new arrangements will cost an estimated £0.450m per annum.

Under the Pensions Act 2008 officers and staff who are not members of their respective pension schemes will be auto-enrolled from May 2017. For those who do not opt back out additional employers contributions will be payable. Work is currently underway to better understand the potential cost which are currently estimated at £0.220m.

Police Now's mission is to transform communities, reduce crime and increase the public's confidence in policing, by recruiting and developing outstanding and diverse individuals to be leaders in society and on the policing frontline. The Constabulary has committed to an initial tranche of eight graduates under the new arrangement which will involve spending two years as a police officer including an intensive 6 week summer academy. In addition to meeting the payroll cost of those on the scheme payments to Police Now are estimated at £0.080m.

5.4 Local Government Pension Scheme (LGPS) -£0.175m – The PCC and Constabulary have now received their draft 2016 valuation reports for their respective shares of the LGPS. This triennial valuation carried out by the scheme actuary Hymans Robertson and is used as the basis to set employers contribution rates from 2017/18 onwards. In addition changes in contribution rates and funding strategies for the Strategic Partnership forces may also impact upon costs in 2017/18. The valuation results show that both schemes are strongly funded with the Constabulary at 100% and the newly opened PCC scheme at 97%. Equivalent contribution rates for the Constabulary and PCC schemes from 2017/18 will be 18.6% (19.1% 2016/17) and 17.8% (18.9% 2016/17) respectively. The effect of the reduction in rates is a combined £0.175m decrease in standstill costs.

5.5 Non-Pay Costs / Income – The latest bank of England forecast for inflation predicts growing pressure with CPI reaching 2.7% in the final quarter on 2017/18 and remaining around this level during 2018/19. In December 2016 CPI stood at 1.6% whilst RPI the indicator that drives costs such as non-domestic rates was 2.5%.

The standstill budget includes spending pressures of £0.389m as a result of inflationary pressures faced across non-pay budget. These include the cost of general inflation at 1.0% on goods and services and a £0.100m allowance for a number of exceptional inflation rates for specific items which have a material impact on the budget including business rates which are linked to the September RPI, the recent increases in fuel and energy prices. There is a risk that spending pressures will increase in this area generating an overspend. In the first instance budget managers will be asked to contain these pressures across their overall budget. In addition this area of expenditure will be closely monitored and control measures (virements, release of reserves) can be put in place in the event of materially higher spend pressures.

Reductions in costs relating to the renewal of contracts have been included within the savings section of the report. Annual charges for Home Office provided IT systems which have historically resulted in increases above inflation are awaited at this point.

The National Police Air Service (NPAS) has recently announced its charges for 2017/18. These represent a 36% or £178k increase in the budget for Hertfordshire, arising from the move to a charging model entirely based on usage and a small increase in Hertfordshire's actual usage in 2016. This increase in costs is against a background of a 3.0% reduction in the overall 2017/18 NPAS budget. Hertfordshire is one of 10 forces that faces a significant increase, ranging from 14% - 60%. Going forward Hertfordshire's NPAS budget will be subject to annual adjustment reflecting usage and further work will be undertaken to assess and improve local deployment, outcomes and the cost-effectiveness of air support calls for service.

Figures reflect the renewal of cleaning contracts which have been impacted on by the introduction of the Living Wage anticipated to cost an additional £0.053m. In addition estates costs for payments under property leases will increase by £0.030m as a result of the co-location of the BCH HR Service Team in Stevenage. Over the medium term non-pay costs are expected to increase by £2.011m up to 2021/22 including £0.500m provision for 2018/19 and 2019/20 for the impact of double running costs of legacy systems associated with the new Emergency Services Mobile programme implementation.

In 2016/17 the PCSO partner funding reduced by £0.064m and there was a compensating one-off increase in Constabulary funding serving to maintain the overall level of PCSO resources. In the 2017/18 standstill budget this resource has been removed, although the original Constabulary matched post has been maintained within the PCSO establishment. Work is on-going to confirm the level of partner funding in 2017/18.

- 5.6 **Capital Financing Costs** – Increase of £0.180m in 2017/18 and £0.676m up to 2021/22. In 2017/18 this pressure results from a downward revision of future interest rates attainable on the Commissioner's investments due to a continuation of the current historically low base rates reflected in the forecast underachievement on this budget in 2016/17, despite greater utilisation of the freedoms within the Treasury Management Strategy aimed at increasing the level of investments placed for longer than one year as well as investing in a wider range of instruments. Over the medium term future interest rate levels are uncertain subject to the impact of Brexit and given the planned draw of reserves to support the budget a broadly neutral yearly position has been assumed from 2018/19 onwards. Further work will be undertaken to refine this position as clearer indication of future trends emerge.

The Capital Programme set-out in Section 12 below shows that on current assumptions capital receipts are expected to be depleted in 2018/19 and consequently it will be necessary to utilise Capital Financing Requirement (CFR) to fund the programme. The costs associated with CFR include the requirement to make Minimum Revenue Provision as well borrowing costs or reduced interest on balances all of which fall on the revenue account. At this stage it has been assumed that cost pressure growth of circa £0.1m per annum will arise from 2019/20 onwards. Current assumptions are that no further disposals of estate are planned and that properties becoming surplus over the medium-term will be retained for redevelopment, to generate a rental

income stream and as such no additional capital receipts would be generated. (See Section 8.9)

5.7 Looking forward, the medium term standstill budget is forecast at £11.169m up to 2021/22, reflecting a cumulative standstill pressure of 6.1%.

5.8 Time Limited / Change Resources - £2.4m

Constabulary Time-Limited / Change resources of £2.3m were established in the 2016/17 budget. These covered funding a proportion of the BCH Change Team including Athena and consultancy / contractor costs, BCH implementation costs including matched funding for Home Office Initiative Funding, resourcing Operational and Partnership funds, contribution to PCC commissioned activity relating to Adults with Complex Needs and contribution to the Road Safety Fund. As reported to October Strategic Executive Board expenditure on BCH implementation and project costs are lower than projected due to the slower progress on HR, ICT and Athena projects and the lower level of matched spending on Initiative Fund bids.

With regard to 2017/18 it is anticipated the level of activity on BCH Collaboration will reduce leading to a reduction in the size of the BCH Programme Team. Work is on-going to assess the required level of resourcing and the transfer of resourcing into business as usual teams. It is expected that there will be significant activity relating to the ESN, Athena, the new HR/Payroll, Finance and Rostering systems and potentially double running costs relating to HR/Payroll and ESN. It is projected there will be implementation costs (redundancy, relocation, estate and system adaptation) relating to Custody, Criminal Justice, Information Management, ICT and HR collaboration. In addition new areas of activity are being explored with the 7 Force Programme Team. As set out in Section 3 the force has obtained £0.264m of Transformation Grant for revenue expenditure and over the coming 2 months will be assessing the scope to submit additional bids. The PCC has also signalled an intention to continue to promote collaboration between police and fire services and this may require additional resourcing. The Constabulary is proposing to undertake significant activity in strengthening its Demand Management Strategy and this may require additional specialist support. At this stage there are uncertainties regarding the speed with which all these projects will be progressed, and an overall figure of £1.464m has been built into the budget for change programme and implementation costs, funded from the Change Reserve £1.200m (see Section 6) and Home Office grant £0.264m. As the approach to progressing the different change projects is developed there may be a need to incur additional expenditure and if this is required a report will be taken to SEB for approval.

It is proposed that planned annual contributions to Operational (£0.4m) and Partnership (£0.1m) resources are maintained funded from Specific Reserves. In addition there is a call on resources to fund higher levels of spending on estate maintenance and business rates (£0.4m), funded from Specific Reserves. In total Constabulary Time Limited Spend funded from reserves is projected at £2.1m. PCC Time Limited Spend is covered in Section 9.

It is projected that Change costs of £1.2m per annum will be incurred over the medium term, including assumed funding of £0.250m Transformation Grant per annum. Finally, it is projected that there will be a phased reduction in the use of Specific Reserves in the second half of the Medium-Term Period following implementation of Estates and Demand Management Strategies.

6 RESERVES

- 6.1 Hertfordshire has built up reserves through prudent financial management, such that they are in the highest quartile in the country. As set out in the 2016/17 budget and Medium-Term Plan the PCC is reducing reserve balances over the medium-term period, such that they are more proportionate with the overall budget. In doing so the PCC will need to review reserves usage and balances on an annual basis, alongside the wider precept and savings position so as to ensure there are adequate plans in place to align on-going spending with on-going funding over the medium-term.
- 6.2 Both Base Budget and Specific Reserves have been used to support the budget in 2016/17 and overall reserves are projected to stand at £41.7m at the end of the current financial year. Further work was undertaken in the summer to review and project forward reserve balances over the Medium-Term, freeing-up £0.7m of usable reserves which has been returned to the General Fund, further details are shown in Appendix C. Table 5 below set out the main reserves breaking them down into those that can be used to support spend in 2017/18 and those that are ring-fenced for specific purposes:

Table 5 - Reserves As At 31st March 2017

	Projected Balance At 31st March 2017 £'m
Base Budget	21.5
Change Reserve	7.4
Specific PCC Reserves	0.5
Specific Constabulary Reserves	4.7
Total Useable Reserves	34.1
Road Safety Fund	1.1
Ring-Fenced Constabulary Reserves	0.5
Minimum Level of General Reserve	6.0
Total	41.7

- 6.3 The paragraphs below set out the proposed use of reserves in the medium-term. These plans will be reviewed on an annual basis.
- 6.4 **Base Budget Support**

It is assumed that a total of £21.5m of Base Budget Support reserve will be used in the following five years to mitigate the impact of increased standstill costs and reductions in grant funding. However, the PCC will need to review

the profile of reserves usage on an annual basis, taking into account the scope to make savings, the level of the precept and the need to align base spending and funding by the end of the Medium-Term period. At this stage a default assumption of maintaining the (2017/18) £4.440m draw on the Base reserve has been factored in up to 2020/21 with the remaining balance of £3.691m used in 2021/22.

It is considered that a use of base reserves at this level in 2017/18 provides sufficient flexibility to address potential risks particularly in the event of an increased funding gap (e.g. due to further grant reduction arising from the Funding Formula Review) and put in place a revised Medium-Term Financial Plan.

Table 6 : Use of Reserves to Support Base Budget

	2017/18 £'m	2018/19 £'m	2019/20 £'m	2020/21 £'m	2021/22 £'m	Total £'m
Use of Base Support Reserves	4.440	4.440	4.440	4.440	3.691	21.451

6.5 Time Limited - Change Reserves

As set out in Section 5.8 it is assumed £1.200m of Change Reserves will be used in 2017/18. It is assumed that the force will access £0.250m per annum of Transformation Grant from 2018/19 onwards, thereby serving to reduce the call on the Change reserve to £0.950m per annum over the rest of Medium-Term period.

6.6 Other Specific Reserves

In additional to the areas above, there are a number of smaller specific reserves forecast to total £7.1m at the end of 2016/17. These specific reserves include the Operational Capability Reserve (£1.2m), Local Partnership Reserve (£0.3m), Commissioner's Reserve (£0.7m), the Road Safety Fund (£1.1m), Reactive Maintenance Fund (£1.0m), the Estates Revaluation Reserve (£0.7m) and the Chief Constables Forfeiture Fund (£0.5m). It is projected that £0.9m of these reserves will be drawn on in 2017/18, including £0.4m of the Operational Capability Reserve, to support operational priorities and increased recruitment including Specials recruitment, and £0.1m of the Local Partnership Reserve so as to provide matched funding to address Anti-Social Behaviour issues at CSP level. Further details of specific reserves are set-out in Appendix C.

6.7 General Reserves

General reserves are forecast to stand at £6.0m by the end of the year reflecting a forecast underspend of £1.3m, the release of £0.7m of constabulary specific reserve and the proposed transfer of any balance above the minimum prudent level to the Base Budget Support specific reserve. This

balance is set aside to provide resources in the event that there are increased in-year spending pressures e.g. savings are delayed or less than planned, or a further in-year grant reduction is applied. Under Section 25 of the Local Government Act 2003, the Commissioner's Chief Financial Officer (CFO) is required to review and report on the adequacy of reserves and the issues of risk and the robustness of budget estimates. The review is set out in Appendix C.

6.8 Projected Reserves 2017/18 to 2021/22

The impact of the reserve strategy set-out above and in Appendix C is that over the medium term reserves are forecast to reduce by £30.1m over the next 5 years to stand at £10.2m by 31st March 2022. Table 7 below shows a year on year summary of the projected movement.

Table 7 – Projected Reserves 2017/2018 to 2021/2022

	31st March 2018 £'m	31st March 2019 £'m	31st March 2020 £'m	31st March 2021 £'m	31st March 2022 £'m
Base Budget	17.0	12.6	8.1	3.7	0.0
Change Reserve	6.2	5.3	4.3	3.4	2.4
Specific PCC Reserves	0.4	0.3	0.2	0.2	0.1
Specific Constabulary Reserves	3.7	2.7	1.9	1.5	1.0
Total Useable Reserves	27.3	20.9	14.5	8.8	3.5
Road Safety Fund	1.1	0.9	0.7	0.4	0.2
Ring-Fenced Constabulary Reserves	0.5	0.5	0.5	0.5	0.5
Minimum Level of General Reserve	6.0	6.0	6.0	6.0	6.0
Total Projected Reserves	34.9	28.3	21.7	15.7	10.2

7 2017/18 CONSTABULARY INVESTMENT PRESSURES

- 7.1 Alongside the need to balance the budget, there is a need to redirect resources to new areas of demand facing the force. As set out in Section 2 there are increased demands in a range of areas including Cybercrime, Domestic Abuse and Child Sexual Exploitation. The table below sets out proposed re-investment pressures.

Table 8 - Re-Investment Pressures

	2017/18 £m	2018/19 £m	2019/20 To 2021/22 £m
Safeguarding Command - DAISU	1.1	1.1	1.1
Athena	-	0.8	0.8
Professional Standards - Vetting	0.1	0.1	0.1
New Areas of Demand	-	-	1.5
Total	1.2	2.0	3.5

Domestic Abuse Investigation and Safeguarding Unit (DAISU) £1.1m

- 7.2 The constabulary has invested significantly in safeguarding in recent years establishing the Safeguarding Command in 2015/16, including the DAISU which was set-up with the aim of providing an end to end service to improve the outcomes for victims; reduce repeat victimisation and deal more effectively with perpetrators of Domestic Abuse. In addition to the £1.2m invest in the DAISU when setting the 2016/17 budget further investment of £0.8m was made across a number of other Safeguarding Units including the Sexual Offences Investigation Team, the Joint Child Protection Investigation Team, the Public Protection Unit, Operation HALO and Safeguarding Adults from Abuse. As set-out in Section 3, demand has continued to rise in these areas. In particular Domestic Abuse recorded crime has increased from 10.3% of all recorded crime in 2014/15 to 13.2% in the current year. Domestic Abuse cases are often difficult and complex to investigate and embody significant threat, risk and harm to vulnerable victims.
- 7.3 During the year detailed demand analysis was carried out that showed a continued upward trend and that the busiest periods are the weekends. Utilising the College of Policing tool kit and the latest demand figures it is estimated that in the region of 68 investigators (an increase of 21) would be required to meet demand. A report was agreed at October SEB proposing a Four Team Structure with uplift of 1x DI, 4x DS, 15x DC and 1x A4 costing £1.1m. This option gives larger more resilient teams that are better able to match resources to demand whilst the need for additional supervisory capability is minimised. The expansion of DAISU will require the further transfer of investigative officers into the unit. Work is on-going to assess the merit of upgrading other investigative roles so as to put in place more effective

and resilient backfilling arrangements. Proposals to self-fund the DAISU investment are set-out within the savings section below.

Professional Standards £0.1m

- 7.4 PSD £0.1m. In June 2016 a review was undertaken of current compliance with the college of policing's Vetting Code of Practice. The review found a shortfall across BCH in capacity such that post appointment re-vetting, was often not possible. Left unchecked this would have significant implications for monitoring and maintaining the integrity of the workforce especially relating to sensitive posts such as CTIU, SB, CIU's, DAISU, and Safeguarding. As a result investment proposals totalling £0.2m to fund 9 fte police staff are proposed across BCH with Herts share being £0.1m.

Re-Allocation to Support PCC Community Safety & Criminal Justice Plan

- 7.5 Alongside the above changes the Chief Constable is also reviewing the scope to re-allocate existing resources from 14 vacant posts within the Local Policing Command to new areas of investment in support of the PCC's Community Safety and Criminal Justice Plan. The majority of this resource will be re-invested in Community Safety and Crime Prevention roles with a focus on strengthening our upstream resources aimed at young people at risk, ASB, missing people and problem solving. In addition a small level of additional resourcing will be directed across the broader Safeguarding Command and strengthening the force's workforce development capability so as to better manage the deployment of officers across the policing model.

Future Areas of Demand

- 7.6 It is anticipated that in 2018/19 the force will need to invest in additional Investigation Management Unit resources to undertake the wider range of recording processes associated with the Athena system. Work was undertaken in the summer regarding the required level of uplift and the scope to brigade existing resources undertaking similar functions. At this stage it is considered that an additional £0.8m will need to be invested in this area. Further work will be taken forward in the coming year to validate this high level estimate.
- 7.7 A relatively small level of resource, £0.5m per annum, has been included in years 2019/20 onwards in anticipation of increasing demand pressures from both protective and general areas. The re-investment proposals will take into account priority areas highlighted in the PCC's plan and will be developed as part of an overall demand management strategy.
- 7.8 The overall impact of the above investment decisions is an increase of 14 police office posts and 10 police staff posts.

8 2017/18 AND MEDIUM TERM SAVINGS

8.1 The table below sets-out planned savings totalling £2.3m in 2017/18 and £6.8m across the medium term.

Table 9 –Saving Proposals

	2017/18 £'m	2018/19 £'m	2019/20 £'m	2020/21 £'m	2021/22 £'m
Organisational Support – HR, ICT, IMD, Finance	-0.4	-0.9	-1.6	-2.3	-2.3
Operational Support – CJD Phase 2, Custody, Public Contact	-0.7	-0.8	-1.2	-1.3	-1.3
Joint Protective Services & ERSOU – 2016/17 FYE + 7.5% over three years	-0.7	-1.2	-1.7	-1.7	-1.7
Estates Income	0.0	0.0	0.0	-0.5	-1.0
Change / Transitional Police Officer Posts	-0.5	-0.5	-0.5	-0.5	-0.5
Total	-2.3	-3.4	-5.0	-6.3	-6.8

Organisational Support and Operational Support £1.0m

8.2 In the past 2 years Organisational Support and Operational Support collaboration has released £3.9m of recurring savings. It was projected that a further £6.1m could be released in the Medium-Term with £2.6m generated in 2017/18. The 2016/17 budget report highlighted the risk associated with achieving these savings. At this stage our best estimate is that £3.5m of savings are achievable in the Medium-Term including £1.0m in 2017/18. However, this assumes that we progress to collaboration across a wide range of areas including Public Contact. In the current year potential investment pressures have become apparent in a number of collaborative areas e.g. a need for strengthened succession planning capability as reflected in the recent HMIC leadership report and the need to re-instate greater workforce planning capacity. Work is on-going with BCH CFOs to assess the scope to release savings and the competing need for re-investment. Further detail on the proposed savings is set out below:

- HR -£0.2m (Cost) – The new BCH structure was introduced in December 2015 and based on this £0.5m savings were built into the 2016/17 budget for Hertfordshire, with the business case projecting a further savings over the following 2 years. The BCH HR Department has experienced higher level of demand for services than was anticipated when the business case was written. This is partly due to the better than anticipated settlement for policing resulting in much greater recruitment and re-investment in BCH than was projected and difficulty in narrowing the remit of HR services as was envisaged in the business case. In addition there have been delays in the

establishment of a 3 force service centre and in the implementation of the new BCH HR and payroll system. As a consequence of these factors the HR Director has produced an exception report setting out the resource impact of these factors. The report also highlights the dependence on implementing joint systems for the main HR system and payroll, the digital learning system, Customer Relationship Management software, an Occupational Health system and E-Recruitment system. These systems are planned to be implemented in 2017/18 although some may slip into 2018/19. In this context the BCH HR budget will need to be increased in 2017/18 by £0.2m. This increase in resourcing has been agreed on a one-off basis with a view to savings being achieved in 2018/19 once the new HR system has been implemented. It should be noted that Hertfordshire HR (including Training) costs are now broadly in-line with national and MSG spend. Given the scale of resource requirements set out in the exception report a significantly lower and deferred level of additional savings have been built into the Medium-Term plan and these will need to be reviewed on a regular basis as the relationship between resourcing and service levels becomes clearer.

- ICT £0.3m – In the past 2 years ICT have delivered £0.4m Hertfordshire savings. The BCH business case projected additional savings of £1.1m. In the last 12 months the scope to release savings has slowed as the department has had to manage extended double running costs relating to Athena, longer than anticipated need to maintain 3 HR, Finance, Payroll and Duties systems and address a higher than anticipated level of demand from across the 3 forces. In parallel the integration of the ICT departments across the 3 forces has taken longer to achieve than was projected in the business case, with implementation of the new structure now projected for mid 2017/18. The ICT SMT have sought to build in new ICT demands into the 2017/18 budget and drive out non-pay savings through moving to single systems and networks (e.g. single Area Network). After taking into account these developments and the full year effect of 2016/17 savings the force is budgeting for savings of £0.27m in 2017/18 and an additional £0.6m over the medium-term. The scope to release these savings will be reviewed on a regular basis reflecting the challenges the department faces regarding the implementation of new systems. Hertfordshire's 2016/17 ICT costs are approximately 10% - 15% below those of MSG and national average and in bottom quartile for both comparator groups.

IMD / Finance Organisational Support Savings £0.3m.

- IMD £0.1m – BCH IMD is planned to go live from March 2017 and staff consultation is now complete. The unit's responsibilities include Information Rights, Information Access Services, Disclosure and Barring Service (DBS), PNC Administration, Records Management and IT Security. Figures included in the savings plan have reduced from those approved by JCOB in May predominantly due to increased non-pay costs of £0.2m across BCH. Hertfordshire savings total £0.1m in 2017/18.
- Finance £0.2m - In anticipation of the implementation of the new tri-force finance system in April 2017 an initial review has been undertaken to identify vacant posts that can be removed prior to any restructuring of the department. A total of 3 fte will be removed saving circa £0.1m. Further work will be

undertaken as processes are reviewed alongside the implementation of the system. In addition the outsourcing of police pension administration to Kier during 2016/17 has released a further £0.1m. this work was previously performed by the BH pension Team.

Operational Support Criminal Justice 2 and Custody £0.4m

- 8.3 Criminal Justice Phase 2 - £0.2m. Following completion of Criminal Justice Phase 1, 2017/18 will see the implementation of Phase 2 of Criminal Justice BCH Collaboration. The business case was published in November 2016 with an expected go-live date of July 2017. The collaboration will cover four areas; Administration of Justice, Witness Care (excluding Cambs), Crown Court File Build and Crown Court Liaison Officers. In addition it will enable the extension of Virtual Court capacity across the three forces. The model is based upon a move from 5 sites to 1 site at Hatfield and is expected to yield additional non-staff cost savings. A reduction in police staff of 22 fte across BCH will result from the move to a single site and the reduction in supervisory roles as well as efficiencies from economies of scale and a review of processes and workload management.
- 8.4 Custody - £0.2m. The collaboration of BCH Custody will commence in the current financial year and be restricted to the pooling of Inspectors and policy sergeants only with each force retaining its own core custody staffing resource. Consultation on shift patterns has now been completed and work is now underway to complete the section 22 agreement. Hertfordshire will retain 3 fte Custody Inspectors in addition to the Target Operating Model at a cost of £0.2m. The £0.2m saving will be achieved through the reduction in 5 fte detention officer posts and the sharing of policy posts across BCH.

Operational Support –Public Contact £0.3m

- 8.5 The BCH Public Contact business case envisaged that Hertfordshire would achieve savings £0.7m savings with the majority generated in 2017/18. During the course of the summer detailed work was undertaken to assess the viability of commencing structural collaboration prior to the implementation of the Athena system. It concluded that this approach would generate greater risk and complexity and proposed that a joint Senior Management Team be established with a remit to harmonise processes and introduce new technology including Athena and EMS, thereby enabling full collaboration at a later point. As a result the collaborative savings have been deferred to 2018/19 and 2019/20. It should be noted that Hertfordshire 2016/17 Public Contact costs are 5.0% below the national average and 3.0% above MSG average.
- 8.6 In 2016/17 the Public Contact budget was increased by £0.4m to resource the move to the Athena system in 2016 and the increased level of Investigation Management Unit recording activity. In light of the deferral of Athena implementation this capacity has been used to enable a high level of recruitment and training in the Force Control Room and has supported strong performance this year. Athena implementation is currently projected for late 2017/18 / early 2018/19 and it is proposed that the additional resourcing is

reduced, enabling recruitment to continue to match turnover, and sufficient resourcing to train staff in advance of implementation. Finally it is anticipated that £0.1m of savings will be generated through the brigading of the Emergency Service Mobile Communications Programme (ESMCP), Mobilisation and Public Contact Digital Innovation work streams and associated resources across BCH.

Joint Protective Services and ERSOU £0.7m

- 8.7 JPS £0.6m - The JPS command has set a tri-force savings target of 7.5% over the 3 year period to 2019/20 and commenced a review for 2017/18 of which Hertfordshire's share is circa £0.6m. The review will generate options for Chief Officers and highlighting service impact / risks and one-off investment. At this stage it is anticipated there will be a focus on Major Crime and Scientific Services where new technology is being introduced which will improve the efficiency of the unit. The review takes place in the context of both significant underspends in recent years, largely arising from shortfalls in officer numbers in specialist teams, the need to maintain and in some cases enhance capacity in Armed Policing and OPSU in light of the prevailing threat and the development of National Capabilities programmed.
- 8.8 ERSOU £0.1m - Following approval at the regional governance board the 2017/18 ERSOU budget will provide savings circa £0.1m for Hertfordshire, after building in the cost of additional regional ACC capacity. This position reflects an increase in grant income levels during 2016/17, Essex Police joining regional prison intelligence and Hertfordshire's share of costs falling resulting from the proposal that Kent join ERSOU.

Estate Generated Income

- 8.9 The PCC has highlighted in his plan the aim to explore whether there are new ways to generate long-term income from potentially valuable estate assets. In support of this, work has been commissioned to assess the viability of achieving a rental income on sites that are or will become available for disposal in-line with the updated Estate Strategy, which has a strong focus on increasing the shared estate with local partners. The OPCC has set an initial income target figure of £0.5m in 2020/21 increasing to £1.0m in 2021/22. While we currently have surplus property assets that could contribute to the achievement of these targets, additional investment, which has not yet been allowed for in these budgets, may also be required. These aspects, along with the actual targets will be subject to further review with specialist consultants and more detailed business cases.

Change / Transitional Police Officer Posts £0.5m

- 8.10 The level of supernumerary or Transitional police officer posts has been reviewed. These posts provide the force with capacity to resource change projects and new initiatives. The Constabulary has reviewed the Change Management resources and established a core resource within Corporate Services to carry out key projects including the Demand Management

Strategy. It is proposed that circa 10 fte Police Officer Transitional posts can be removed whilst meeting these requirements, generating a saving of £0.5m. This will however mean that peak additional change requirements will need to be funded from Time Limited change resources.

- 8.11 In total the planned savings set-out above result in a decrease of 18 police office posts and 24 police staff posts. Taking into account the impact of the investment decisions set-out in Section 7.8 the overall police officer establishment for 2017/18 is forecast at 1,902 and police staff at 1,613. Work is on-going on developing the final collaborative office / staff shares across BCH units and these will be updated in the final establishment numbers.

9 POLICE AND CRIME COMMISSIONER BUDGET

Office of the Police and Crime Commissioner

- 9.1 The Office of the Police and Crime Commissioner (OPCC) continues to be reshaped to reflect staffing changes, the wider requirements, increased responsibilities and manifesto commitments of the Commissioner.

The Policing and Crime Bill (Royal Assent expected in January 2017) will place additional mandatory responsibilities on the PCC in relation to complaints. In order to meet these new requirements, and to provide the enhanced customer service experience outlined in the Commissioner's manifesto, a new Customer Service Unit comprised of three and half a full time equivalent posts is being created to act as first point of contact for all complaints coming in to the Constabulary. Based on the Northumbria triage model, the aim of the Unit is to provide a prompt and effective service which aims to improve levels of customer satisfaction and reduce the flow of low level complaints in to the tri-force Professional Standards Department.

- 9.2 The government has indicated its intention to devolve various aspects of the wider criminal justice system to PCCs and has indicated its intention to enact legislation requiring Commissioners to explore further blue light collaboration, particularly in relation to governance of Fire and Rescue services. In order to provide additional support and resilience to the Policy Development team to pursue these areas, a Policy Support Manager and Head of Criminal Justice have been appointed.
- 9.3 Communication support for the PCC's office has, until now, been provided from within the Constabulary. As the role of the PCC has expanded, the need for media and communications support based within the OPCC's office became increasingly apparent and the equivalent of two full time posts were transferred from the Constabulary budget to the OPCC.
- 9.4 In conjunction with the above mentioned, a further 2.4 full time equivalent posts have been created producing a combined 2017/18 budgetary impact growth requirement of £0.5m.
- 9.5 In response to structural changes a non-pay budget review has been undertaken resulting in minimal revisions against 2016/17 levels. The revised structure has resulted in a domestic budget of £1.558m.

9.6 The Commissioner and Chief Constable have agreed to maintain cost-effective arrangements whereby Constabulary support is provided to the Commissioner’s office (e.g. Finance).

Commissioning Budgets

9.7 In 2017/18 the Commissioner will hold approximately £3.348m of budgets to fund initiatives and enable him to meet his wider commissioning responsibilities. These are set out in Table 10 below.

Table 10 : Police and Crime Commissioner’s Commissioning Budget

Project	Funding Source	2017/18 £'m
Victim Support Services	MoJ Grant	1.367
Community Safety Fund	Base Budget	0.837
Road Safety Fund	CTC Income	0.570
Electronic Tagging Pilots Programme	MoJ Grant	0.319
Commissioner's Community Fund	Reserves	0.120
Volunteering Fund	Reserves	0.055
Fire Business Case Consultancy	Reserves	0.050
Adults with Complex Needs	Reserves	0.030
Total		3.348

Victim Support Services

9.8 The Commissioner has held responsibility for the commissioning of Victims’ Services from April 2015. £1.367m has been allocated by the Ministry of Justice (MoJ) to provide victim services for 2017/18 including the delivery of victim led Restorative Justice. Victim services are categorised into referral and universal services and enhanced services, each category with an indicated budget suggested by the MoJ. The indicative spends, with the exception of £0.096m relating to child sexual assault, are not ring-fenced, enabling the Commissioner to determine the most appropriate allocation to deliver services locally.

9.9 The MoJ Victims Services funding comes from the victims surcharge levied on offenders at Court. It should be noted that the MoJ retains responsibility for the commissioning of certain specialist services, such as homicide and trafficking crimes and the court based witness service.

9.10 Moving forward, the Commissioner, in consultation where appropriate with the Chief Constable, will review and develop how the existing partner funding streams and contributions to partners, align with core policing requirements, Police and Crime Plan priorities and the role of partners in promoting wider crime reduction strategies.

Community Safety Fund

- 9.11 The Community Safety Fund for 2017/18 of £0.837m will be devolved via the new bidding process announced in early 2016. Fund recipients will be required to explain spending intentions which must support and align with the Commissioner's Police and Crime Plan. Outcomes will be monitored and scrutinised through interim returns and updates through the Commissioner's Executive Board.

Road Safety Fund

- 9.12 In line with the Commissioner's Offender Pays agenda, a dedicated ring-fenced Road Safety Fund was established from 1 April 2015 using the income generated by the tri-force Camera, Tickets and Collisions (CTC) Unit. Accumulated income at the 1st April 2016 amounted to £1.3m with recent 2016/17 forecasts indicating Hertfordshire share of surplus income will be in the region of £0.570m for the year.
- 9.13 The PCC continues to work with the HCC Strategic Road Safety Partnership retaining oversight of the project with day to day administration undertaken by the Road Safety Programme Manager. With several feasibility study outcomes under assessment and a second round of bidding underway spending plans continue to evolve. Budget for 2017/18 will be set at £0.570m in line with income estimates with the facility to draw further upon reserves if required.

Electronic Tagging Pilots Programme

- 9.14 The MoJ Tagging Pilots Programme involves the fitting of electronic tags equipped with GPS technology to prisoners to facilitate their early release into the community. Objectives include the reduction of prison population numbers whilst providing a facility to monitor movements and maintain access to those within the scheme. Hertfordshire is the lead for monitoring and field services and claims grant for all forces against the £1.751m overall BENCH allocation. For the supply of electronic tags Hertfordshire and Nottinghamshire are joint force leads, with staff costs invoiced quarterly by Hertfordshire to the MoJ and reimbursed on an actual cost basis. An indicative share £0.319m based upon Hertfordshire's NRE has been included within the budget although the actual allocation will be determined operationally.

Commissioner's Community Fund

- 9.15 A Commissioner's Community Fund of £0.120m funded through the proceeds of forfeiture income and administered by the Hertfordshire Community Foundation will be available to applicants for distribution to approved projects during the course of the financial year.

Volunteering Fund

- 9.16 A Volunteering Fund of £0.055m will be funded through reserves and incorporates various volunteering projects including independent custody and dog welfare visitors.

Fire Business Case Consultancy

- 9.17 The Police and Crime Bill introduces a raft of measures to facilitate collaboration between PCC's and emergency services. With an amalgamation of Hertfordshire Fire and Rescue services under consideration, a business case has been commissioned at a cost of £150k to be completed within 2016/17. A further £50k is forecast for 2017/18 to cover costs relating to public consultation and specialist advice.

Adults with Complex Needs

- 9.18 The Commissioner is committed to finding better ways across the public sector to shift investment upstream to target prevention and early intervention activities that help tackle problems at source and look to provide better outcomes for the public. In partnership with Hertfordshire County Council, the Commissioner has committed to invest £0.240m across a two year period to support the Adults with Complex Needs Project to find efficiencies across the criminal justice system and reduce demand on public service delivery.
- 9.19 Payments of £0.030m per quarter have been awarded across the two year project lifespan with one final instalment due during 2017/18. Funding for this project is from reserves.

10 2017/18 – 2021/22 MEDIUM TERM FINANCIAL PLAN (MTFP)

10.1 This section brings together standstill, funding, precept, reserves, investment decisions, savings assumptions and time limited pressures into an overall Medium Term Financial Plan. The plan is constructed over a 5 year period in-line with recent HMIC guidance and enabling a stronger focus on financial sustainability.

Table 11 - Cumulative Projected Medium–Term Budget Gap

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Grant Funding	1.506	2.787	4.169	5.535	6.884
Council Tax Income	-3.485	-4.480	-5.287	-5.770	-6.260
Constabulary and OPCC Standstill & One-Off Costs	5.529	7.473	9.422	10.865	13.075
Constabulary and OPCC Investment Pressures	1.709	2.494	2.994	3.494	3.994
Net Base Reserves	-0.030	-0.030	-0.030	-0.030	0.719
Specific Reserves	-2.355	-2.255	-2.005	-1.705	-1.655
Specific Grants	-0.583	-0.250	-0.250	-0.250	-0.250
Planned Savings	-2.291	-3.379	-4.980	-6.289	-6.789
Budget Gap	0.000	2.360	4.033	5.850	9.718

10.2 Based on the above funding, investment and saving projections the force has to address a gap of £2.4m (1.3% of overall budget) in 2018/19 rising to £9.7m (5.3% of overall budget) by 2021/22. In addition in 2021/22 the force is projected to use some £5.3m of reserves to support base and time-limited spend, representing a further 2.9% funding pressure in 2022/23 assuming 'surplus' reserves are fully drawn down by that point.

10.3 In projecting the financial position over a 5 year period there is also a need to recognise there is uncertainty regarding a range of issues:

- the degree and pace of grant funding reduction facing forces, including the risk that Spending Review will be superseded by greater pressure on government and HO finances,
- the treatment of Council Tax freeze grant on which Hertfordshire has a sizeable reliance,
- the ability to access Transformation funding from the Home Office,
- the impact of next year's funding formula review,
- the impact of inflation on spending pressures

- the ability of BCH and Hertfordshire Change Programmes to deliver savings,
- the need to fund increased investment pressures in the light of new policing demands.

10.4 With regards to addressing the remaining budget gap as set out in Table 11 and the uncertainties in Section 10.3 the OPCC is able to respond through the following three approaches:

- Rephasing of reserves – Over the next 2-3 year period the force does have some scope to re-phase the use of reserves so as to address a deferral of savings or incur greater invest to save costs, but it would need to initiate additional savings or precept increase in the later part of the Medium-Term period.
- The force has some scope to increase the level of planned savings and is putting in place work through the Demand Strategy to improve the efficiency of the current policing model. Planned Savings from 2018/19 – 2021/22 at £4.4m or 2.3% are low in comparison to the scale of savings generated between 2011/12 and 2016/17 (£45.2m) and when seen alongside the planned £2.0m of re-investment, the force is projected to experience a relatively small reduction in overall workforce over the medium-term period. This means that in the event of a need to increase savings and with regard to workforce planning, there is scope for the force to manage down spending levels through reducing recruitment and using turnover to bring down overall headcount. The potential wider impact of further savings on the delivery of the PCC’s plan would also need to be evaluated.
- The OPCC has not factored in any increase in precept above that proposed this year. As set out in Section 4 if the Band D precept was increased by between 2.0% and 3.4% per annum (in-line with the current rules for a permitted increase in council tax) over the following 4 years it would generate between £5.448m - £8.696m addressing a very significant proportion of the budget gap.

The PCC has indicated that he will review the approach to precept and reserves usage on an annual basis in the light of the savings and investment proposals developed by the Chief Constable and the level of other income sources such as government grants.

11 CAPITAL PROGRAMME

Summary Capital Programme

- 11.1 Table 12 below shows a high level overview of the capital programme for 2017/18 to 2020/21, with further details set out in Appendix E. The table sets out a programme totalling £7.263m of expenditure in 2017/18 and a total of £20.600m up to 2020/21.

Table 12: Proposed Capital Programme 2017/18 – 2020/21

Planned Expenditure	2017/18 £'m	2018/19 £'m	2019/20 £'m	2020/21 £'m	Total £'m
Estate Programme	1.080	0.400	0.400	0.400	2.280
IS Strategy And ICT Investment	3.099	1.535	1.435	1.455	7.524
Emergency Services Network	1.359	2.552	-	-	3.911
Fleet	1.452	1.441	1.458	1.442	5.793
Technical And Specialist Equipment	0.273	0.273	0.273	0.273	1.092
Total Capital Programme	7.263	6.201	3.566	3.570	20.600
Funded By:					
Capital Grant	0.587	0.587	0.587	0.587	2.348
Police Transformation Fund	0.172	0.250	0.250	0.250	0.922
Emergency Services Network Grant	0.578	-	-	-	0.578
Change Management Reserve	0.100	-	-	-	0.100
Use Of Capital Receipts	5.826	4.780	-	-	10.606
Capital Financing Requirement	-	0.584	2.729	2.733	6.046
Total Capital Funding	7.263	6.201	3.566	3.570	20.600

- 11.2 The 2017/18 capital programme has been constructed following a review of 2016/17 spend including the impact of any major potential delays. Where these have been identified a review has been undertaken, with a particular focus on ICT, to assess whether this spend is still required or will be displaced by 2017/18 spend. This approach is in-line with last year and has released £2.209m from the 2016/17 capital programme. The resultant 2017/18 figures reflect this process and provide a capital programme of £7.263m with the intention that slippage into 2017/18 will be materially lower than previous years.

- 11.3 The Estate Strategy is currently being reviewed and a relatively small level of feasibility resourcing has been included within the programme. The review will identify options for major scheme developments and these will be subject to a full business case at which point the Capital Programme would be amended.
- 11.4 Based on the above figures it is projected that the four-year programme will be funded from general capital grant of £2.348m, Police Transformation Fund grant of £0.922m, Emergency Services Network grant of £0.578m, Change Management Reserve of £0.100m, capital receipts of £10.606m, and Capital Finance Requirement (CFR) of £6.046m).
- 11.5 The need to utilise CFR to fund the capital programme results from the planned depletion of capital receipts in 2018/19. This position is based upon the planning assumption that properties becoming surplus over the medium-term will be retained for redevelopment, to generate a rental income stream and as such no additional capital receipts would be generated. The revenue budget implications of using CFR to fund the capital programme have been included within the revenue standstill (see Section 5.6) and projected estate generated income in the Medium Term Savings plan (see Section 8.9).

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GROSS BUDGET 2016/17

	2016/17 Gross Budget £'m
Local Policing Command & Crime Reduction	
Local Policing Command	81.9
Protecting Vulnerable People - Safeguarding	10.4
Crime Reduction & Community Safety Unit	3.1
Total	95.4
Protective Services	
Regional and BCH Uniformed (Road Policing, Major Crime Unit)	10.8
BCH & Regional Non-Uniformed (CT&DE, Major Crime, PSD, ERSOU)	11.2
Protective Services	6.9
Total	28.9
Operational Support	
Contact Management	11.9
Criminal Justice Department	4.8
Custody	5.0
Other (Camera Tickets Collision, Firearms Licensing, HCJB)	6.2
Total	27.9
Business Support	
Estates and Facilities Department	8.1
HR (Including Training)	6.6
ICT	8.9
Corporate Services	3.4
Other (Finance, Collaboration, Procurement, Legal)	7.8
Total	34.8
Corporate Budgets	
Pensions	0.8
Capital Finance	1.1
Other	4.7
Total	6.6
Change / Operational Capability Reserves	2.3
Officer of the Police and Crime Commissioner	
Office	1.0
Commissioning Budget	3.0
Total	4.0
Total Gross Budget	199.9

B HMIC Financial Benchmarking**B1 SPECIFIC SERVICE AREAS****LOCAL POLICING**

- The biggest outlier and cause of Hertfordshire's high spend on Local Policing is Local Investigation where spend is 28% higher than MSG and 34% higher than the national average (£3.0m - £4.0m higher). Total spend on Local Investigation is £18.9m and includes 302 officers and 60 staff from Local Investigation, Case Investigation. (these figures reflect the recategorisation of Tactical Teams into Operational Support / Advanced Public Order).
- Response and Neighbourhood Policing is 10% below national average and 2.1% above MSG average closely in-line with overall spend.

OTHER SERVICE AREAS:

- Spend levels on custody, CJ, Armed Policing and Dogs is over 20% lower than national /MSG average and highlighted as an outlier by HMIC.
- Public Contact (including enquiry officers) – Spend is 5% below national average (and so broadly in-line with force overall spend) and 3% above MSG average (in-line with overall spend).
- CJ/Custody (Includes FME, PNC– Spend is 19% (£2.4M lower) is below national average and 17% (£ 2.2m) below MSG – Heading also includes FME (where we will need to increase spend), PNC and Property (which has been coded to support) – Highlighting limited scope to achieve significant further savings.
- Roads Policing - Spend 25% above national level(£1.1m higher) and 39% above MSG (£1.6m higher). JPS have 7.5% savings target over medium term. Need to understand impact of greater centralisation of RP bases.
- Operational Support (Firearms, Dogs, PSU, Helicopter) spend is 43% below national average and 28% below MSG. - Highlighting very limited scope to achieve significant further savings.
- Public Protection – Spend 2% below national average and 5% below MSG average. This is before October 2016 further re-investment which take Herts above both national and MSG average. Herts is one of 18 forces showing no spend on witness protection.
- Investigation (Including Major Crime, S& Org, Economic and Cyber Crime) overall spend in in-line with national average and 11% or £1.1m above MSG average. The above average spend relates to Major Crime, Specialist Units and S & Org. The below average spend relates to Economic and Cyber Crime.
- Support Services – 27th highest (9.0% below national average), 3rd highest in MSG (3.5% above MSG) – closely mirroring our overall and MSG spend. Finance is below average nationally (25th highest) and in MSG (5th highest). HR / Training spend is in-line with national and MSG average. Admin Support is above average nationally and MSG (circa £0.5m). Two-thirds of this spend is RMU 39 fte, BCH Collab Team 21 fte and Analysts 20 fte. The remaining one-third is Exec Support, PAs and Information Management).
- PCC (Including commissioned services – community safety and victim support) 29th highest (17.0% below national average) , 4th highest in MSG (2.8% below MSG) – OPCC spend is £0.2m below MSG spend and £0.3m below national spend.

Commissioned spend is broadly in-line with MSG spend and £0.5m below national spend. These figures do not include the full level of OPCC spend which includes services provided by the Constabulary as shown in Statement of Accounts.

B2 CATEGORIES OF EXPENDITURE

NON STAFF COSTS

Non-staff costs are very low compared to MSG (circa 20%) and National average (circa 30%). There is a significant comparability issue here particularly with some forces showing collaborative spend on a lead force basis as non staff spend (we do not have a lead force model and do not account for spend this way but aggregate/allocate collaborated spend in-line with NRE contribution).

- Low premises, transport and other employee expenses (agency staff and injury / ill health costs) approximately 25% (£3.5- £4.0m lower) below national and MSG average
- Collaboration costs are 23% of national average (£6.5m lower) and 29% of MSG average (£4.9m lower). As set out above there is a variation in accounting treatment and allied to the varying level of collaboration across forces there is a very wide range of spend across the country – There are 8 forces with spend below our level of 1.2% of budget, half of forces are at 2.5% of budget or below, 11 forces are at or above the national average of 5.2%, and 6 forces are between 10% - 33% of budget.

INCOME

Income – 24TH highest level of income, some 19% below national average (£1.9m lower) and 28% below MSG (£3.0m). This is explained by two factors:

- Collaborative income – Hertfordshire's income is 57% of national figure and 59% of MSG figure. This figure is highly distorted by the very different approaches to accounting for collaboration as set out in the non-staff section above. If this element is excluded Herts income is 1% below national level and 15% below MSF
- Special Police Services – Hertfordshire has the lowest level in MSG. Two of the forces in MSG are major outliers with Sussex budgeting for circa £8.0m per annum and Essex circa £4.0m per annum. We have contacted Essex and Sussex to better understand their figures.

WORKFORCE

Our workforce costs are in-line with national average (and so disproportionately high) and highest compared to MSG. This is largely due to police staff and the main factor appears to be higher average pay costs which are 7% higher than national and MSG pay costs – rather than more posts.

- Officer costs (per head of pop) are 4.8% below national average , compared to 7.4% below for overall budget, and are 5.8% above MSG average (highest in MSG).
- Police staff costs are 7% higher than national and MSG pay costs and second highest in MSG.
- PCSO staff costs are 2% higher than national average and 12% higher than MSG and 4th highest in MSG.

RESERVES AND ROBUSTNESS OF THE BUDGET ESTIMATES

C1 General Reserves – Minimum Prudent Level

- C1.1 Under Section 25 of the Local Government Act 2003, the Commissioner’s Chief Financial Officer (CFO) is required to review and report on the adequacy of reserves and the issues of risk and the robustness of budget estimates.
- C1.2 The Chief Financial Officer considers that a level of general reserves of £6.000m (3.3% of the 2016/17 budget) would be adequate for the 2017/18 financial year. In coming to this view on the adequacy of reserves, the financial risks faced by the Commissioner have been taken into account. The risk assessment considers the possible maximum financial impact and the probability of a risk occurring. The figure of £6.000m is an increase of £0.680m on last year and reflects a range of risks of which the main risks provided for relate to budgetary control (£1.8m), major incidents (£1.3m), business continuity (£0.5m), the non-achievement of savings (£0.5m), implementation cost and double running costs associated with the Athena implementation (£0.5m), and the failure or loss of operational IT systems (£0.2m).

C2 Specific Reserves

- C2.1 A review of the number and adequacy of specific reserves has been carried out and the Commissioner’s Chief Financial Officer confirms that these reserves, as projected, continue to be required and are adequate for the purposes specified below. Cover for operational risks remains in line with 2016/17.

Proposed Estimated Level of Specific Reserves	31st March 2016 £'m	31st March 2017 £'m
Base Budget Support	24.550	21.451
Change Reserves	9.213	7.413
Operational Capability Reserve	1.600	1.200
Commissioner’s Reserve	0.662	0.438
Adults With Complex Needs	0.150	0.030
Road Safety Fund	1.267	1.137
Local Partnership Reserve	0.400	0.300
Ill-Health Early Retirement	0.340	0.340
Reactive Maintenance Fund	1.028	1.028
Revaluation Reserve	0.674	0.674
Police Property Act Fund (Resolved)	0.075	0.051
Legal and Insurance Fund	0.423	-
Forfeiture Fund	1.208	1.208
Unconditional Funding Reserve	0.735	0.435
Total Specific Reserves	42.325	35.705

C3 Review of Reserves

C3.1 The Chief Financial Officer notes that as at March 2016 Hertfordshire's reserves were in the top quartile of the country.

C3.2 With regard to the overall review of reserves the key outcomes are:

- The expected level of all reserves as at the 31st March 2017 is forecast to be £41.705m, including £6.000m of general reserves.
- The Commissioner should plan on the assumption of the need to retain £6.000m (3.3% of the 2017/18 net budget) as a minimum prudent balance in general reserves for the 2017/18 financial year.
- In line with other police forces up until 2015/16 the overall level of reserves had continued to increase. This has significantly strengthened the overall financial position and allows the Commissioner to plan to make a draw of £21.451m on reserves to support the budget over the medium term.
- That the £7.413m Change Reserves be ring fenced to meet the one-off costs reflecting the investment required to establish new collaborative structures and systems for providing Organisational and Operational Support, new matching expenditure for Police Innovation Fund bids and implementation costs associated with Hertfordshire only change programmes over the next three years.
- That the level and range of other specific reserves set-out above are adequate to meet the requirements of both the Constabulary and the PCC.

C4 Risks and Robustness of Estimates

C4.1 Risk management is a key consideration for the Commissioner and the Chief Constable. There is an overall risk management strategy, and a Constabulary Risk Register is updated on an on-going basis, reviewed by Chief Officers and presented to Audit Committee twice a year for review. The Chief Constable's risk register is aligned with the Commissioner's risk register to facilitate an overall approach to risk management. The main offsetting risks that may impact upon the delivery of the 2017/18 budget are:

- Delivering the planned level of savings. As with last year circa 75% of the 2017/18 savings plan consists of collaborated savings either in new areas such as Organisational and Operational Support as well as more established areas such as ERSOU and JPS. Achieving the required outcomes from collaboration with other forces represents a risk, however, the ability to draw on reserves set out above does mitigate this risk in the event that collaborative savings take longer to generate or there is need to give greater focus to Hertfordshire internal savings.

- Exceptional demands placed upon the service, particularly in relation to major incidents, which is addressed through establishing a minimum prudent reserve.
- As set-out in Section 5.8 the scope to submit further bids for Police Transformation Funding is being assessed covering both revenue and capital expenditure which may present the need to draw further from the Change reserve.
- In addition, in recent years spending has been suppressed by vacancy levels resulting from relatively high turnover in both police officers and police staff. Police Officer numbers are expected to be at establishment by the start of 2017/18 but whilst recruitment plans for police officers, PCSOs and control room staff are being progressed, it is recognised that there is a compensating risk that spend levels in other areas will be lower due to on-going turnover.

C4.2 With regard to the robustness of the budget estimates, the budget proposals have been through a rigorous process of assessment by officers, with particular scrutiny by Constabulary Chief Officers. The Commissioner has placed reliance on the Constabulary's budget preparation and monitoring arrangements and whilst there are always risks on delivering savings, the Constabulary has a strong recent record of delivering significant savings.

2017/18 Council Tax for Police and Crime Commissioner Purposes

A	£40,000 or less	£101.33
B	£40,001 to £52,000	£118.22
C	£52,001 to £68,000	£135.11
D	£68,001 to £88,000	£152.00
E	£88,001 to £120,000	£185.78
F	£120,001 to £160,000	£219.56
G	£160,001 to £320,000	£253.33
H	£320,001 or greater	£304.00

Precept Amount Required From the District Councils*

	£
Borough of Broxbourne	5,238,406.40
Dacorum Borough Council	8,575,140.80
East Hertfordshire District Council	8,918,448.00
Hertsmere Borough Council	6,095,200.00
North Hertfordshire District Council	7,394,602.40
St Albans District Council	9,298,144.00
Stevenage Borough Council	4,057,655.20
Three Rivers District Council	5,747,439.20
Watford Borough Council	4,873,439.20
Welwyn Hatfield District Council	6,129,278.40
Total Precept	66,327,753.60

CAPITAL PROGRAMME.

E1 Estate Programme - £0.880m

E1.1 The Estates Strategy is designed to provide an estate that meets operational requirements in line with the PCC’s Community Safety and Criminal Justice Plan, whilst actively seeking to reduce revenue running costs through flexible approaches to short or medium-term leasing, or co-location with partner agencies. The strategy also gives consideration to the benefits of working with local authority partners to maximise the value of adjoining surplus sites in order to achieve revenue income streams. The Strategy is currently being reviewed and is expected to be approved early in 2017/18. The review is considering the scope to extend CSP co-location with local authority partners, specifically in Watford, Dacorum and North Herts, and with the Fire Service. In addition the review will consider the options for updating the HQ site.

The current estate contains a number of relatively high cost sites and through the estates strategy the aim is to minimise these, where possible moving to more efficient and/or smaller buildings. It is anticipated this will lead to an increase in the number of leased buildings as current freehold sites are vacated for redevelopment. At this time it is assumed that savings in running costs on the old sites will broadly offset additional lease payments post relocation. This position will be reviewed as the strategy is developed.

E1.2 Table E1 below summarises the resulting programme of estate developments and minor works:

Table E1: Estate Programme

Planned Expenditure	2017/18 £'m	2018/19 £'m	2019/20 £'m	2020/21 £'m	Total £'m
Estate Support Costs	0.830	0.150	0.150	0.150	1.280
Minor Works	0.250	0.250	0.250	0.250	1.000
Total	1.080	0.400	0.400	0.400	2.280

Estate Support Costs (£0.830m)

E1.3 An allowance of £0.350m has been made in 2017/18 towards the cost of feasibility work for co-location or other site sharing opportunities as they arise, as well as support for other new estate developments. Business cases would be completed, following successful feasibility assessments, setting out plans and requirements for additional capital resources.

E1.4 The refurbishment of some existing freehold properties will be necessary in facilitating the disposal or redevelopment of other surplus properties over the medium term (£0.100m), as part of the strategy’s drive to generate sustainable income streams.

E1.5 Other planned estates work includes adaptations at Stevenage, site preparation costs, access work at Headquarters, and agile working adaptations (£0.380m).

Minor Works (£0.250m)

E1.6 Planned minor works for 2017/18 include annual programmes for boiler replacement and energy controls (£0.075m), energy and sustainability improvements (£0.050m), and works to upgrade air conditioning, electrical systems and restrooms (£0.125m).

E2 Information Communication Technology (ICT) Investment Programme (£3.079m)

E2.1 The ICT capital investment programme is developed in a way that recognises the need to support policing functions through the right investment in infrastructure, systems, and mobilisation. This investment is designed to bring together technology and processes across BCH, and to implement technical solutions to enable business transformation.

E2.2 The following key themes have been considered in setting the programme for 2017/18 and beyond:

- Increasing financial constraints across BCH, and the need to ensure that capital investment allows for closer and more efficient working across the three forces
- The continuing need to develop a closer alignment of operational and back office functions across BCH
- The uncertainty around the timing and dependencies of some areas of the programme, especially in the context of regional or national projects such as ESMCP

Table E2: ICT Investment Programme

Planned Expenditure	2017/18 £'m	2018/19 £'m	2019/20 £'m	2019/20 £'m	Total £'m
ICT Information Systems	0.582	0.210	0.210	0.210	1.212
ICT Infrastructure	1.090	1.010	1.010	1.030	4.140
ICT Communication / Airwave	0.040	0.105	0.105	0.105	0.355
Collaboration Work Streams	1.388	0.210	0.110	0.110	1.818
Total	3.100	1.535	1.435	1.455	7.525

ICT Information Systems (£0.582m)

- E2.3 **Athena (£0.290m)** – Phase one of the data tech refresh (£0.088m) is planned for early 2017/18, with module implementation costs (£0.102m) planned for the end of the financial year. An allowance is also made for additional local costs planned in 2017/18 (£0.100m).
- E2.4 **ANPR Cameras (£0.142m)** – Planned work includes the second year of a programme of camera installations at prioritised hotspots across the county (£0.082m), and an annual replacement programme for existing units (£0.060m)
- E2.5 **Other Projects (£0.150m)** – Other work will be around the development of small IS systems.

ICT Infrastructure (£1.090m)

- E2.6 **Microsoft Enterprise Agreement (£0.480m)** – Hertfordshire will continue its annual fixed cost licensing agreement for the use of Microsoft products. The cost of this agreement increased by nearly 50% in 2016/17, and a longer term approach to way in which some products are licensed is being considered.
- E2.7 **PC Replacement Programme (£0.300m)** – The replacement of desktop computers and printers continues on a regular cycle, with many desktop items being replaced by more flexible devices, such as laptops and tablets. These devices tend to have a higher cost, increased failure rate, and shorter useful life than traditional desktops, and the planned renewal of part of the first tranche of HP tablets will result in an increase of £0.080m in 2017/18.
- E2.8 **Platform Development (£0.175m)** – This work provides increased computer system capacity through the provision of physical and virtual storage, as well as services to maintain 'business as usual' running of force systems. Supplier issues have delayed implementation of the latest technology stack, or support programmes, into 2017/18, leading to an increase of £0.055m on the normal expenditure..
- E2.9 **Desktop Software, Outlook, Exchange etc (£0.100m)** – Continuing investment is needed to provide a single email exchange system across BCH.
- E2.10 **Other Infrastructural Work (£0.035m)** – Other planned work for 2017/18 will be around printer replacement programme (£0.035m).

ICT Communications (Including Airwave) (£0.040m)

- E2.11 **Automatic Call Distribution (£0.040m)** – ACD work will focus around aligning Beds and Herts with the existing Cambs ACD system.

Collaboration Work Streams (£1.388m)

- E2.12 ICT Infrastructure Convergence (£0.500m)** – This work continues the provision of a single BCH ICT capability. Developments will allow further collaborated work through the provision of single BCH ICT infrastructure, and investment in 2017/18 will include amendments to allow existing applications to work with the new single identity, final phases of investment in the new Wide Area Network (WAN), and investment to support a resilient data centre provision across BCH, including costs for high-speed links and data centres.
- E2.13 Charter Regulation of Investigatory Powers (RIPA) System (£0.311m)** – The existing Pegasus RIPA system is due to be replaced with a new Charter system currently used by other Eastern region forces. This item was successful in the 2016/17 Police Transformation Fund bidding, and agreement has been given by the Home Office for the replacement to now be made in 2017/18. Herts' share of regional PTF funding is £0.111, with further investment of £0.200m needed by Herts.
- E2.14 Network Servers (£0.250m)** – Key network switches will be replaced as required. These will be prioritised following IT health check work across the estate.
- E2.15 HR / Finance / Duty Management System (£0.116m)** – A successful Police Transformation Fund bid has been made for the implementation of an integrated HR / Finance / Duty Management system, beginning in 2016/17. The finance module has been rolled out in Cambs, with Beds and Herts planned to follow in April 2017. Completion of the HR and duty management modules is planned for the end of 2017. It is intended that the system will provide a firm basis for bringing together existing BCH back office processes, and enabling more efficient working practices.
- E2.16 Other Collaborative Developments (£0.211m)** – Other planned developments include replacement internet / intranet (£0.050m), digital evidence (£0.090m), analytical tools (£0.050m), TuServ (£0.050m), and an OHU recording system (£0.021m).
- E3 Emergency Services Mobile Communications Programme (£1.359m)**
- 3.1 National contracts have been awarded for all three Emergency Services Network lots, and a framework agreement has now been established for ESN support services. National transition to ESN is currently expected to begin in June 2018, although no transition date has been given for BCH at this point.
- 3.2 Planned expenditure for Herts in 2017/18 will be around the procurement of a new ICCS system, expected to be made at the end of 2017, and initial investment in devices and vehicle fitting. Exact costs are uncertain at this point, but a detailed cost model, and judgements around timing of expenditure, has been used to provide a best forecast of necessary investment levels.

E3 Fleet - £1.452m

- E3.1 The rolling fleet replacement programme is developed in conjunction with Chiltern Transport Consortium, based on age, condition, and mileage of existing vehicles. There are slight variances from previous projections due to changes in contract prices, as well as the mix of models to be replaced. For example, Vauxhall have increased prices by 1.8% from January 2017, and the change to BMW for road policing and ARV vehicles has resulted in a more expensive mix of vehicles.
- E3.2 The Hertfordshire fleet replacement programme for 2017/18 has been set at £1.452m.

Table E3: Fleet Replacement Programme

Planned Replacement	2017/18 £'m	2018/19 £'m	2019/20 £'m	2020/21 £'m	Total £'m
Replacement Cost	1.452	1.441	1.458	1.442	5.793

Table E4: Fleet Replacement Numbers

Planned Replacement	2017/18	2018/19	2019/20	2020/21	Total
Vehicle Numbers	95	83	92	84	354

- E3.3 Replacement costs for 2018/19 onwards are based on current contract prices, However, the current contract expires in October 2017, and there is a degree of uncertainty, including the effect of Brexit, over the impact of future price increases.

E4 Technical and Specialist Equipment - £0.273m

- E4.1 An annual programme is provided for the planned replacement of specialist equipment, and to meet emerging equipment needs. Investment is made to ensure the delivery of efficiencies through smarter working, and the exploiting of new advances in technology.

Table E5: Planned Technical and Specialist Equipment Programme

Planned Expenditure	2017/18 £'m	2018/19 £'m	2019/20 £'m	2020/21 £'m	Total £'m
Technical Support Unit	0.040	0.040	0.040	0.040	0.160
Joint Protective Services	0.133	0.133	0.133	0.133	0.532
Specialist Equipment	0.100	0.100	0.100	0.100	0.400
Total	0.273	0.273	0.273	0.273	1.092

E4.2 Technical Support Unit (£0.040m) – Hertfordshire contributes to a regional programme, focusing on new and improved technology and the rolling replacement of basic stock. This annual programme includes investment in surveillance equipment, trap assets, audio equipment, and cameras.

E4.3 Joint Protective Services (£0.133m) – This programme provides for Hertfordshire’s contribution to the replacement of specialist forensic and scientific equipment within BCH JPS units.

E4.4 Specialist Equipment (£0.100m) – A budget is provided for additional equipment requirements and opportunities arising during the year. The use of this budget is strictly controlled, and benefits arising from this investment are assessed before funding is committed.

MINIMUM REVENUE PROVISION POLICY 2017/18

F1 Background

- F1.1 The Commissioner is required to approve an annual Minimum Revenue Provision (MRP) Statement. The aim of the MRP Statement is to determine the Commissioner's approach when making MRP in 2017/18 on his 2016/17 capital expenditure.
- F1.2 The regulations set out four alternative options for making a prudent provision and it is necessary that the Commissioner adopts one of these when making MRP. Each of the four options is set out below.

F2 DCLG Prudent Minimum Revenue Provision Options

- F2.1 Options 1 and 2 are essentially the same as the 4% reducing balance approach used up to 2007/08. The regulations prescribe that use of this approach to supported capital expenditure but it is not available to unsupported capital investment.
- F2.2 Options 3 and 4 are both broadly based upon making MRP in line with the expected life of the asset. Option 3 is known as the Asset Life Method and is the option recommended by the Police Commissioner's Treasury Managers. It makes MRP over the asset life in either equal instalments or using an annuity approach. Option 3 provides a steady and predictable funding requirement at the point the asset enters service and is the method that needs to be used for capitalised expenditure and expenditure which is capital in accordance with regulations (e.g. software licenses).
- F2.3 Option 4 makes MRP in accordance with depreciation rules. Since the Commissioner's depreciation policy is to use the straight line method of depreciation, initially MRP under these two options would be identical. However in the longer term Option 4 is potentially a less predictable approach than Option 3 as the level of MRP may be accelerated as a result of asset revaluations which in turn will lead to accelerated funding pressures on the revenue budget. In addition this option requires the establishment of a notional revenue provision and the consideration of residual values in the MRP calculation, but provides no additional benefits over Option 3. Both these options result in the Commissioner making MRP on new assets only after they enter service in line with our current budget assumptions.
- F2.4 For 2016/17 the Commissioner adopted Option 3, the Asset Life Method which was recommended by the Commissioner's Treasury Managers and it is recommended that Option 3 continues to be used in making MRP in 2017/18.