

Police and Crime Commissioner

for Hertfordshire

MEETING	POLICE AND CRIME PANEL
DATE	28th January 2016
TITLE	The Police and Crime Commissioner's 2016/17 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 2016/17. The Police and Crime Commissioner (Commissioner) is proposing to reduce the Band D Council Tax by 0.55% to a figure of £147.00. However, after taking into account the increase in the tax base and a reduced collection fund surplus, total Council Tax income is estimated¹ to increase by £0.178m.**
- 1.2 At the time of writing the report we have received provisional settlement information from the Home Office for 2016/17 grant funding. We expect final information in early February. Final movements in grant funding or council tax income will be reflected in the Commissioner's budget report which goes to the Strategic Executive Board (SEB) meeting in February alongside any further information that is required in concluding the scrutiny of the Commissioner's proposed budget and council tax precept for 2016/17.
- 1.3 This report sets out the precept proposal alongside the 2016/17 budget and the Medium Term Financial Strategy. The budget proposals are consistent with the updated 2015 – 2020 Police and Crime Plan.

¹ At the time of writing the report, council tax base and collection fund surplus figures are awaited from two of the ten district councils.

- 1.4 Hertfordshire has a good track record of financial management, generating gross savings of £40.0m since 2011/12 and after taking into account re-investment, net savings of £36.0m. HMIC have recently graded Hertfordshire as outstanding in terms of the force's financial sustainability. The OPCC is forecast to have established reserves of £48.3m by the end of 2015/16 and it is projected that over the medium term period (2016/17 to 2019/20) the OPCC will plan to draw on reserves to:
- a) offset the impact of the projected 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, primarily in support of the collaborative efficiency programme and thereby move in a phased way to a lower level of spending in-line with the level of base funding.
- 1.5 The force will continue to deliver efficiency savings to enable a phased reduction in spending levels and as set out above to re-invest in new areas of demand. There is a significant reliance on the Bedfordshire, Cambridgeshire and Hertfordshire (BCH) Collaboration Programme to achieve these efficiencies.
- 1.6 The Medium-Term plan reflects the better than anticipated funding settlement for Policing that was announced in the recent Spending Review but also seeks to take into account financial risks, the main ones being delay in achieving savings and impact of the Police Formula Funding review resulting in a greater reduction in grant funding. In mitigating these risks there is some scope to re-phase the use of reserves over the medium-term. There is also scope to initiate wider changes in the overall policing model in support of the work to improve demand management and productivity and finally there is scope to increase precept levels during the medium-term period. Hertfordshire is one of only two forces that has not increased precept in the last five years, and under new rules which provide greater flexibility for those forces with low precept, is able to increase precept by £5.00 or 3.4%, generating on-going income of £2.1m. Under current rules it is likely Hertfordshire would be able to increase its precept by £5.00 per annum across the remainder of the medium-term period.
- 1.7 Building on the medium term financial strategy, the key issues in constructing the 2016/17 budget have been:
- A reduction in underlying/cash Home Office grant funding of £0.621m.
 - Standstill spending pressures of £5.065m.
 - The investment of £4.156m in Constabulary base budgets.

- A savings programme totalling £5.214m in 2016/17.
- A reduction of precept income of £0.346m arising from the 82p (0.55%) reduction in Band D Council Tax more than offset by the £0.524m net growth in the Council Tax base and collection fund surplus.
- Use of £4.450m of reserves to support the base budget.
- The use of £2.650m of specific reserves to support time-limited and targeted expenditure in 2016/17.

1.8 Table 1 below sets out the funding of the 2016/17 net budget including the resultant Council Tax Requirement.

Table 1 : 2016/17 Budget and Council Tax Requirement

	£'m
Net Budget 2015/16	182.433
Standstill Pressures	5.065
Re-Investment	4.156
Savings	-5.214
Use of Base Reserves	-4.450
Use of Specific Reserves	-2.650
Spending Funded by Specific Reserves	2.650
Net Budget 2016/17	181.991
Less Home Office Settlement Grants	-117.992
Less Collection Fund Surplus	-0.953
Council Tax Requirement 2016/17	63.046

1.9 The report sets out the following information:

- Section 2: Police and Crime Plan, Performance Context And Financial Baseline
- Section 3: 2016/17 Funding Settlement
- Section 4: Precept
- Section 5: Standstill Budget
- Section 6: Reserves Position
- Section 7: Medium Term Resource Planning and Risks
- Section 8: Re-investment 2016/17
- Section 9: Saving Proposals in 2016/17 and Medium Term

- Section 10: Police and Crime Commissioner Budget
- Section 11: Medium Term Financial Plan 2016/17 to 2019/20
- Section 12: Capital Programme

POLICE AND CRIME PLAN, PERFORMANCE CONTEXT AND FINANCIAL BASELINE AND BENCHMARKING

2.1 In developing budget proposals the Chief Constable has regard to the PCC's updated Police and Crime Plan, the Strategic Policing Requirement, which now incorporates Child Sexual Abuse as a national threat, the performance context including the wider Strategic Assessment and the financial baseline and benchmarking data.

2.2 Updated Police and Crime Plan

In June 2015 the Commissioner's updated the Police and Crime Plan 'Everybody's Business'. The plan is structured around the four key themes:

- Putting victims at the centre
- Public Focus
- Offender Pays
- Business Sense.

In prioritising resourcing, including re-investment requirements, the Chief Constable is mindful of the five key ambitions set out in the plan:

- **Keep People Safe** – ensure resources protect those most at risk of harm.
- **Cut Crime** – continue to work with our partners to drive crime and disorder to lower levels and, through the management of effective resources, deliver both local policing and our national requirements.
- **Be a Voice for Victims** – putting victims at the centre of all we do by investing in new services and giving victims a voice.
- **Protect Local Policing** – continue to deliver a model of policing that maintains visibility and contact with the public, improves trust and, importantly, cuts crime.
- **Spend Wisely** – deliver policing within the available budget, ensuring activity is implemented that will help to reduce costs, improve efficiency and deliver effective services.

The Constabulary's response to the Police and Crime Plan is set-out in the Operational Policing Plan.

Performance

2.3 As set out above the Commissioner and Chief Constable remain committed to maintaining strong performance in reducing crime, catching criminals and keeping the County safe.

- 2.4 For a wide variety of reasons, including as a result of the impact of improvements in the accuracy of crime recording, recorded crime levels within the County are rising. However, within our Most Similar Group (MSG) of eight forces², the Constabulary's absolute level of crime and levels of crime remains the best in the group at 52.5 per 1,000 population compared to an average of 58.6³.
- 2.5 So far in the current performance year there has been an 11.30% increase in recorded crime; in part reflecting growing demands in particular areas including Cybercrime, Child Sexual Exploitation and the increase in the reporting of Serious Sexual Offences following the publicity around Operation Yewtree. Some of this increase is also considered to be attributable to stronger National Crime Recording Standards compliance by forces over the 2014 base, in particular lower level violence and harassment offences. Furthermore, from 2015/16 a number of new offences have been added to 'notifiable' reporting requirements (for example, malicious communications with intent and so-called 'revenge porn'), meaning this year's crime total is not wholly comparable to previous years.
- 2.6 Latest performance for the year shows:
- Reported anti-social behaviour has increased by 4.60% (904 more reported incidents) (there is no MSG position available). In recent years reported anti-social behaviour has fallen significantly, by 22% since 2012.
 - Burglary dwelling offences have increased by 6.80% (141 more crimes), the Constabulary is 5th in its MSG.
 - Motor Vehicle Crimes have increased by 21.10% (790 more crimes), the Constabulary is 5th in its MSG.
 - Violence Against the Person offences have increased by 40.40% (3,387 more offences), the Constabulary is 3rd in its MSG.
 - Criminal Damage has increased by 7.50% (457 more crimes), the Constabulary is 2nd in its MSG.
 - Theft Other offences have seen a decrease of 2.90% (166 less offences) for which there is no published MSG data. (For all theft offences Hertfordshire is 3rd in MSG)
 - Robbery has seen a decrease of 1.50% (5 less crimes), the Constabulary is 1st in its MSG.

² Avon & Somerset, Essex, Hampshire, Hertfordshire, Leicestershire, Staffordshire, Sussex, Thames Valley

³ Provisional iQuanta data for the period December 2014 to November 2015

- Domestic Abuse offences have increased by 36.70% (1,493 more offences reported) for which there is no published MSG data. Some of this increase is considered to be attributable to stronger compliance with National Crime Recording Standards over the 2014 base.
 - Thefts from Shops has increased by 4.10% (173 more crimes), the Constabulary is 2nd in its MSG.
 - The Constabulary's outcome rate is currently sitting at 25.60%, down from last year's higher rate of 30.70%. Again, in large part this can be attributed to more accurate reporting, in particular of lower level crime allegations by victims who do not always support police action. The Constabulary is 1st amongst its MSG Group for Victim-Based and 3rd for Non-Victim-Based outcomes.
- 2.7 In relation to 999 emergency call handling, cumulative year to date shows 88.0% for calls answered within 10 seconds against an aspiration of 90%. With regards to non-emergency calls, cumulative year to date figures indicate 82% are answered within 30 seconds. Emergency response arrival times within 15 minutes are currently 83% for the year to date, the same figure for the year 2014/15.
- 2.8 With regard to Victim Satisfaction levels: whilst performing well both nationally and when compared to its peers, the Constabulary continues to seek ways to improve, for instance through the introduction of Beacon by the PCC, a dedicated, multi-agency Hertfordshire Victim Supporting Care Centre. The last available iQuanta Victim Satisfaction Data (for the 12 months to September 2015) place the Constabulary as 2nd within its MSG of Forces for overall Victim Satisfaction across Dwelling Burglary, Vehicle Crime, Violent Crime and Racist Incidents and 2nd for Hate Crime (data since April 2015).
- 2.9 In terms of the measures of 'Public Confidence', Hertfordshire is second in its MSG of forces, and 7th place nationally. Hertfordshire is 1st in its MSG (7th nationally) for residents perceiving that they could rely on their local police and be treated fairly. Hertfordshire is in 2nd place in its MSG for feeling that the police are dealing with ASB and Crime (8th nationally).
- 2.10 With regard to the recent HMIC PEEL inspection, Hertfordshire has been graded as good overall in the area of efficiency, and anticipates overall grades of good in both the effectiveness and legitimacy areas. The final reports for these two areas are due to be published on 25th February. With regard to the impact of HMIC reports on resourcing decisions it is relevant to make reference to the recent Vulnerability report. The report finds that Hertfordshire Constabulary is committed to protecting vulnerable people from harm and generally provides a good service to vulnerable victims, although there are areas for improvement. It comments on good progress being made on

Domestic Abuse since last year, and that the force has made a good start ensuring it is well prepared to Tackle Child sexual exploitation. However it finds the Constabulary's response to missing and absent children needs to improve. Hertfordshire has been graded as 'requiring improvement' alongside the majority of forces in the country, although there are no 'causes for concern' identified.

2.11 The force's Strategic Assessment highlights the following areas:

- *Child Sexual Exploitation (CSE)/Abuse* – CSE is recognised as an on-going priority included within the Strategic Policing Requirement with intelligence and investigations continuing to identify new victims and perpetrators.
- *Modern Slavery /Trafficking* – Levels of displaced people due to conflict will continue to rise increasing opportunities for Organised Crime Groups (OCGs) to force, encourage or deceive vulnerable people into slavery and sexual exploitation.
- *Cyber-crime* – As cyber dependent and enabled techniques, cutting across all crime types, proliferate and become available to the wider criminal community.
- *Adult Safeguarding* - The number of adult safeguarding referrals are increasing with an increased expectation of the service, in part following introduction of the Care Act 2014 and statutory basis for Safeguarding Adult Boards. An ageing UK population, combined with the vulnerability of the elderly to fraud, exploitation and abuse raise this policing issue to priority status.
- *Rape* - There continue to be significant increases in reported rape. Increased confidence in the police has contributed to the rise in reports, particularly of historic and domestic rape; approximately 74% of offences are reported within 12 months (2013-15), 21% relate to a delay in reporting of over five years.

2.12 In the 2015/16 budget £1.0m of resources were re-invested into developing capability to combat CSE and Cybercrime. The 2016/17 re-investment proposals seek further to extend this capability in response to both the Force Strategic Assessment and the national HMIC recommendations.

Financial Baseline

2.13 The 2015/16 budget represents a financial baseline of £182.4m for net expenditure (£193.8m gross) which is funded from government grant and precept. Net expenditure in 2016/17 will decrease to £182.0m.

2.14 Table 2 below sets out a high level summary of the budget and shows that gross expenditure will increase by circa £5.4m to £199.2m in 2016/17. The increase in gross expenditure is largely funded by an increase in the use of reserves. The allocation of expenditure across the main service areas is

based upon the best information available at the time of writing the report. Appendix A sets out the 2015/16 gross budget for cost centres included within each grouping.

Table 2 : 2015/16 and 2016/17 Budget Summary

	2015/16 Gross Budget £'m	2016/17 Gross Budget £'m
Local Policing Command & Crime Reduction	92.4	94.6
Protective Services	28.8	28.9
Operational Support	27.6	28.7
Organisational Support	33.8	34.1
Hertfordshire Corporate Budgets	7.2	7.2
Change & Operational Capability Reserves	0.6	2.3
Total Constabulary	190.4	195.8
Office Of The Police And Crime Commissioner	1.0	1.0
Commissioning Budgets	2.4	2.4
Total Office of the PCC	3.4	3.4
Total Revenue Budget	193.8	199.2

- 2.15 Net spending in 2015/16 is forecast to be close to budget, with relatively small underspend and overspend variances compensating each other. Police Officer numbers have been below establishment for much of year, but are projected to be in-line with establishment at the end of the year. Police officer recruitment is projected to be 138 officers. Collaborative budgets are underspending in Joint Protective Services. However, collaborative restructuring and change has progressed more slowly than was forecast and this will defer achievement of higher savings from 2016/17 into 2017/18. Police staff turnover has continued to be relatively high, partly due to the transfer of PCSOs into officer ranks. After taking into account the vacancy factor overall police staff spend is broadly in-line with budget.
- 2.16 HMIC have benchmarked the 2015/16 budget against forces in the Most Similar Group (MSG) and nationally. This information has been used in shaping saving and investment proposals and further details are shown in Appendix B.

3 2016/17 FUNDING SETTLEMENT

3.1 **The 2016/17 provisional funding settlement generates a cash grant of £117.992m representing an overall reduction of £0.621m (0.52%). The main elements of the funding settlement are set out below.**

3.2 In the recent four year Treasury Spending Review (SR) announcement the Chancellor announced a funding settlement for Policing that keeps in-line with inflation. This was a better settlement than had been anticipated and amounts to a £900m cash increase nationally, although this is inclusive of an assumed £400m or 3.3% per annum 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 17th December setting out a 0.57% cash decrease to all forces' Police Grant (excluding legacy council tax grants).

3.4 The impact on Hertfordshire of the Provisional Grant Settlement is a 0.52% (cash) or £0.621m reduction, resulting in grant funding of £117.992m. Hertfordshire's overall decrease is slightly below the all force uniform level of 0.57% due to the exclusion of council tax freeze legacy grants from the base.

3.5 The Final Settlement will be announced in 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

	2015/16 £'m	2016/17 £'m	Change £'m
Police Formula Funding Grant	108.383	107.764	-0.619 (0.6%)
Council Tax Legacy Grants	10.230	10.228	-0.002 (0.0%)
Net Grant Funding Reduction	118.613	117.992	-0.621 (0.5%)

3.6 The Home Office set an overall control total for police force budgets including precept income (termed direct resource funding) of £11,376m in 2016/17. 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 2017/18 funding settlement, and this could further reduce or mitigate the reduction in grant funding.

3.7 The Provisional Settlement confirmed that no additional council tax freeze grant will be available to forces in 2016/17. The Provisional Settlement also confirmed that the £10.2m of ring fenced council tax legacy grant that Hertfordshire currently receives will be retained in 2016/17 prior to next year's formula review at which point there is a risk that some or all 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 including:

- The introduction of a new Transformation Fund of £76.4m, to develop and deliver specialist capabilities such as Cyber and other emerging changes in crime and to fund a major uplift in Firearms capability. We await details on how the fund will be integrated with existing force, regional and national resources.
- A decrease to the Police Innovation Fund of £15m to £55m.
- Existing core Airwave contract costs, paid by the Home Office, have been brought into the police settlement resulting in a reallocation of £204m. It is envisaged this reallocation will reduce as Airwave is replaced by the new Emergency Services Network (ESN).
- ESN £80m, to meet programme costs and to be paid by the Home Office. 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.
- A further £2m to the IPCC who will now receive £32m funding in total.
- £22m towards the continued development of major programmes.
- An increase of £10m to £25m for a Special Police Grant contingency fund (to support forces facing unplanned or unexpected additional pressures).

3.9 The Police Innovation Fund is aimed at driving a shift in the way policing is delivered with a particular focus on collaboration. A number of bids have been submitted for the coming year towards supporting the cost of BCH collaborative change including Operational Support (Public Contact), Organisational Support funding for a joint HR/Finance system, towards Regional Collaboration and force specific bids. In total bids for Police Innovation Fund relate to gross expenditure of £3.1m and potential grant funding amounts to £1.5m. Additional matched revenue and capital funding of £0.5m has also been factored into the overall budget and details are referred to in Section 6 and 12. The outcome of the 2016/17 bids is expected to be announced in March.

4 PRECEPT PROPOSAL

- 4.1 **After taking into account the overall financial position of the force the Commissioner proposes to reduce the Band D Council Tax to £147.00, a decrease of £0.82 (0.55%).** The resulting council tax bands and indicative district precepts are set out in Appendix D. Final tax base and collection fund figures are due to be received from each of the ten district councils by the end of January, and any variation from the provisional figures will be addressed through adjusting the use of reserves or the phasing of savings.

Hertfordshire's 2015/16 Band D council tax is £147.82p and has been at its current level since 2010/11. In 2015/16 Hertfordshire had the fourth lowest shire police force council tax being 8.5% below that of its Most Similar Group average and 16.9% below the shire average, and the 7th lowest council tax out of the 39 shire and metropolitan forces in England. Income to be raised from council tax in 2015/16 is £63.821m inclusive of a collection fund surplus of £1.372m.

The impact of the proposed reduction in precept in 2016/17 is to reduce council tax income by £0.346m. However, this is more than offset by the increase in income arising from the larger tax base as set out in Section 4.2.

The spending review announcement set out greater flexibility for those PCCs with historically low council tax levels, which includes Hertfordshire, allowing them the ability to increase the Band D equivalent by up to £5. Based upon the current tax base such an increase in the Hertfordshire council tax would generate an additional £2.144m, over and above the 2015/16 level, an equivalent of a 3.4% increase. The Secretary of State has indicated that the freedom to increase council tax by this amount will apply across the spending review period. The ability to increase the Band D council tax by £5 per annum is therefore dependent on precepting decisions across the police service, but at this stage it appears likely that Hertfordshire could increase council tax income for the three years from 2017/18 generating additional on-going income of circa £6.582m.

- 4.2 An important element of precept is the tax base representing the number of Band D equivalent properties. Eight district councils have now confirmed their final base and collection fund figures with provisional figures provided by the remaining two. These figures indicate an annual growth in tax base of circa 1.5% equivalent to £0.944m. The collection fund surplus is one-off income, potentially quite volatile, and stood at an unprecedented high in 2015/16 and is forecast to decrease from £1.372m to £0.953m in 2016/17. Based on these indicative tax base and collection fund figures and the PCC's precept proposal, the budget builds in a net increase in income from council tax of £0.178m in 2016/17. These figures will be updated as final tax base and collection fund figures are received from the remaining two district councils.
- 4.3 Looking forward, our MTFP projection for 2017/18 – 2019/20 assumes a gradual reduction in the level of collection fund surplus and an annual growth in the tax base of 1.1%. At this stage the Net Budget Gap projections assume the Band D Council Tax is maintained at the reduced level over the medium

term. The approach to precept will be reviewed by the Commissioner as part of the annual budget setting process.

STANDSTILL BUDGET

- 4.4 Table 4 sets out the forecast standstill budget over the medium term. The standstill budget delivers the same level of service as in the current financial year. Latest estimates are that the standstill budget will increase by £5.065m (2.7%) in 2016/17. The detailed yearly movement in the standstill budget is explained in the paragraphs below.

Table 4: 2016/17 to 2019/20 Increased Standstill Costs

	2016/17 £'m	2017/18 £'m	2018/19 £'m	2019/20 £'m
Unavoidable Pressures:				
Staff and Officer Costs	2.196	2.130	2.547	2.560
National Insurance	2.900	-	-	-
Local Government Pension Scheme	-0.486	-	-	-
Non-Pay / Income Cost Pressures	0.155	0.360	0.443	0.443
Sub-Total: Unavoidable Pressures	4.765	2.490	2.990	3.003
Previous Decisions:				
Interest on Balances / Capital Financing	0.300	-	-	-
Standstill Budget Increase (£'m)	5.065	2.490	2.990	3.003
Standstill Budget Increase (%)	2.7%	1.3%	1.5%	1.5%

- 4.5 **Officer and Staff costs** – increases of £2.196m in 2016/17 and £9.433m up to 2019/20 to reflect:
- **Pay Awards** – The police officer pay award for 2016/17 is a projected figure of £1.014m reflecting a 1.0% per annum increase from September 2016 in line with continued public sector pay restraints. For police staff, the previous pay award was for a 2.2% increase from 1st March 2015 to 31st August 2016 with no resulting full year cost in 2016/17; therefore a relatively low figure of £0.235m, representing a 1% increase from 1st September 2016, has been included in the standstill. Increases of 1.0% per annum, in line with government planning assumptions, have been assumed from September 2017 onwards.
 - **Police Officer Pay and Allowances** – Additional funding of £0.436m will be required to fund these budgets in 2016/17 and £1.262m up to 2019/20. This figure represents the on-going need to fund future incremental progression across all police officer ranks as well as implementation of the new shortened police constable pay scheme under 'Winsor 2'.
 - **Police Staff Increments** – The standstill impact of police staff budgets is a 2016/17 spending pressure of £0.645m resulting from a standstill pressure of £0.195m to fund increments payable under the national Police Staff Council

conditions and an additional cost of increased shift allowance payable to police staff working unsociable hours as a result of the Bear Scotland case estimated at £0.450m (as reported to SEB). It should be noted that the Police Staff budget already contains a circa £2.0m 'vacancy/turnover factor' part of which reflects the recruitment of new staff onto the bottom of the pay scale.

- **'Winsor Review'** –The reduction of £0.134m represents the final phase of the abolition of Competency Related Threshold Payments.
- 4.6 **National Insurance** – From April 2016 the government will remove the employer's national insurance contribution discount for those employees who have opted out of the Additional State Pension Scheme. The Constabulary receives this discount, currently 3.4% between the Primary Threshold and Upper Accrual Point, for a majority of police officers and police staff and will therefore be faced with a significant increase, estimated at £2.900m, in its national insurance contributions.
- 4.7 **Local Government Pension Scheme (LGPS)** – As set-out in last year's budget report, 2016/17 will see the removal of £0.486m from the LGPS lump sum backlog funding budget following the improved funding position established at the last valuation and the resultant reduction in need to fund the historic backlog. The March 2013 triennial valuation, carried out by the scheme actuary Hymans Robertson showed an increased level of funding from 81% in 2010 to 92%. We currently await the results of an interim valuation commissioned to provide a heads up of the likely funding position going into the March 2016 valuation. (The valuation is an assessment of the financial health of the pension fund, the result of which is used to determine the contributions that we will need to pay to the pension fund from 1st April 2014 to 31st March 2017). Overall employer's contributions payable to the fund remain at a rate of 18.9%.
- 4.8 **Non-Pay / Income Costs** – The standstill budget includes spending pressures of £0.155m. General inflation at 0.5% on goods and services is broadly offset by an allowance for a number of exceptional inflation rates for specific items including business rates which are linked to the September RPI and the current relatively low fuel and energy prices. Work is also being undertaken to assess the impact of the introduction of the Living Wage on third party costs. The 2015/16 budget monitor has confirmed the continued trend of pressure totalling £0.155m on a number of corporately held income budgets, of which a drop in payments from the UK Immigration Service for holding detainees is the most significant. Over the medium term non-pay and income costs are expected to increase by £1.401m up to 2019/20.
- 4.9 **Capital Financing Costs** – Increase of £0.300m in 2016/17. This spend pressure results from a downward revision of interest rates attainable on the Commissioner's investments compared to those included in the 2015/16 budget, the net impact of which is a forecast reduction in income of circa £0.100m. In addition the decision to not make a proposed one-off Voluntary Revenue Provision has resulted in the requirement to make £0.200m higher than budgeted Minimum Revenue Provision (MRP) on an on-going basis.

5 Looking forward, the medium term standstill budget is forecast at £13.548m up to 2019/20, reflecting standstill pressures of 1.3% to 1.5% per annum over the final three years.

6 RESERVES

6.1 Over the previous four years the PCC has built up reserves through prudent financial management. This has been achieved in a context of needing to actively reduce spend in future years in response to the reductions in grant funding. Hertfordshire’s reserves are forecast to stand at £48.3m at the end of 2015/16. As at March 2015 Hertfordshire’s reserves were in the top quartile of the country. The Home Secretary has highlighted the high level of reserves held nationally in setting out the overall resources that are available to forces to invest in policing. The Commissioner is proposing that reserves levels are reduced year on year over the medium-term period to allow grant reductions to be phased-in, reduce pressure on the precept and to fund set-up and restructuring costs required as part of the efficiency and change programmes.

6.2 It should be noted that as part of the consultation on formula funding, the Home Office included an option to take into account local reserves to phase in changes in grant levels.

6.3 The table below sets out the expected allocation of reserves at the end of the current financial year. The paragraphs below set out the proposed use of reserves in the medium-term. These plans will be reviewed on an annual basis.

Table 5 : Reserves As At 31st March 2016

	Projected Balance At 31st March 2016 £'m
Base Budget Support	25.3
Specific Change Reserves	9.7
Other Specific Reserves	8.0
Total Specific Reserves	43.0
General Reserves	5.3
Total Reserves	48.3

6.4 Base Budget Support

It is assumed that some £17.8m of Base Budget Support reserve will be used in the following four years to mitigate the impact of higher standstill costs (particularly in 2016/17) and reductions in grant funding. In the context of the Spending Review and the less severe reduction in grant funding than was anticipated, reserves can be used to allow the force to phase-in reductions over the medium-term. It is considered that a materially higher use of base reserves in 2016/17 would potentially generate risks particularly in the event of an increased funding gap e.g. due to further grant reduction arising from the Funding Formula Review. This spend profile also preserves sufficient

balances to support a phased reduction in the use of reserves at the end of the current spending review period or to re-phase the use of reserves.

Table 6 : Use of Reserves to Support Base Budget

	2016/17 £'m	2017/18 £'m	2018/19 £'m	2019/20 £'m	Total £'m
Use of Reserves	4.450	4.450	4.450	4.450	17.800

6.5 Change Reserves

Reserves totalling £9.7m have been earmarked to meet the costs of implementing Hertfordshire only, BCH Collaborative Change, Regional Change programmes as well as costs associated with the implementation of Athena IT system. The BCH programme covers the areas of Operational Support (Public Contact, Criminal Justice, Custody and Firearms Licencing) and Organisation Support (Human Resources ICT, Finance and Information Management). It is currently anticipated that Hertfordshire's share of one-off revenue implementation costs for BCH collaboration, including redundancy, relocation, estates and ICT will be in the region of £1.8m and will be met from this reserve. It is proposed that £0.8m is built into the 2016/17 budget. Implementation plans are currently being developed and this may lead to changes in the timing of expenditure. In event of this an updated spend profile will be reported to SEB.

In addition provision for £0.6m of BCH Change Programme costs, have been built into the Change Reserve calculation for 2016/17 to cover costs relating to contract staff, specialist consultancy and assurance reviews. This projection also takes into account additional costs relating to Athena implementation and the increased training requirement. It is projected that Change Programme costs would reduce to circa £0.5m per annum in 2017/18 and 2018/19.

As set out in Section 3.9 the force is submitting, or is a joint signatory to, a number of Innovation Fund bids. The revenue matched funding element amounts to £0.7m of which £0.4m represents additional spending pressure and in the event the bid is successful this will be funded from the Change Reserve.

Finally, it is envisaged that spending plans for the entirety of the Change Reserve will be further developed in 2016/17 and 2017/18 in the light of further Regional and BCH Collaboration proposals and new Hertfordshire change projects.

6.6 Other Specific Reserves

In addition to the areas above, the Commissioner holds a number of smaller specific reserves forecast to total £8.0m at the end of 2015/16. These specific reserves include the Operational Capability Reserve (£1.6m), Local

Partnership Reserve (£0.4m), Commissioner's Reserve (£0.6m), the Road Safety Fund (£1.3m), Reactive Maintenance Fund (£1.0m), Drugs Forfeiture Fund (£1.3m), Adults with Complex Needs Reserve (£0.2m) and the Insurance/Legal Reserve (£0.4m). It is projected that £0.85m of these reserves will be drawn on in 2016/17, of which £0.4m will relate to the Operational Capability Reserve, to support operational priorities and increased recruitment including Specials recruitment, and £0.1m will relate to the Local Partnership Reserve so as to provide matched funding to address Anti-Social Behaviour issues at CSP level.

6.7 General Reserves

General reserves are forecast to stand at £5.3m by the end of the year reflecting a forecast underspend of £0.8m and the proposed transfer of any the 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.

7 MEDIUM TERM RESOURCE PARAMETERS AND RISK

7.1 Table 7 below brings together the projected budget gap after taking into account reductions in grant funding, Council Tax held at the 2016/17 level over the medium-term period, increased Tax Base income, Standstill costs and the use of base and time limited reserves.

Table 7 : Projected Medium Term Budget Gap

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	TOTAL £m
Grant Funding	0.621	1.298	1.284	1.385	4.588
Council Tax Income (Tax Base & Collection Fund)	-0.524	-0.667	-0.498	-0.498	-2.187
Council Tax Income (Band D Level)	0.346	-	-	-	0.346
Standstill Costs	5.065	2.490	2.990	3.003	13.548
Gross Budget Gap	5.508	3.121	3.776	3.890	16.295
Use of Specific Reserves	2.650	2.760	1.930	1.930	9.270
Spending Funded by Specific Reserves	-2.650	-2.760	-1.930	-1.930	-9.270
Change in Use of Base Reserves	-4.450	0.000	0.000	0.000	-4.450
Saving Requirement	1.058	3.121	3.776	3.890	11.845

7.2 Based on this projection, spend would increase in cash terms in 2016/17, largely due to the significant increase in standstill pressures funded by reserves. In subsequent years cash and real terms resources are falling each year, leading to a projected net

budget gap or savings requirement of £11.845m, or a 6.5% reduction in resources over the medium-term. This would translate to a reduction in overall officer and staff numbers from 3,550 to circa 3,300. If the Council Tax level was increased by £5 per annum over the following three years this would reduce the medium term budget gap to £5.3m. Under this scenario officer and staffing levels would reduce to 3,450. High level resource parameters are an important element of the Medium-Term Financial Plan (MTFP) and key element of the annual HMIC Efficiency review.

7.3 In constructing the MTFP it is recognised that there is still uncertainty and risk relating to the following financial issues:

- the treatment of Council Tax freeze grant on which Hertfordshire has a sizeable reliance,
- the permitted increase in Council Tax, recognising that the maximum increase without referenda, is influenced by precepting decisions across the Police service.
- the ability to access the new additional HO central funds
- the potential need to extend and transfer funding to regional or national policing capability,
- the risk HO will seek to control use of force reserves,
- the impact of next year's funding formula review,
- the risk that SR will be superseded by greater pressure on government and HO finances,
- the ability of BCH and Hertfordshire Change Programmes to deliver savings,
- the ability to retain/recruit staff against the backdrop of a strengthening local economy resulting in vacancies and underspends.

7.4 We will receive more specific information on a number of these issues in the coming months, but other elements such as precept will be determined on an annual basis. Therefore our financial plans need to build-in some flexibility and particularly the ability to deal with a greater reduction in funding and / or reduced scope to achieve collaborative savings. Currently this can be achieved through:

- Re-phasing the use of base reserves so as absorb greater spending pressures (although as set out in Section 6 it is considered there is limited to scope to do this).
- A precept increase and /or
- Initiating a wider Hertfordshire Change Programme.

8 2016/17 RE-INVESTMENT

8.1 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 2016/17 re-investment decisions and related 2015/16 investment decisions.

Table 8 : 2016/17 Re-Investment Decisions

	2015/16 £m	2016/17 £m
Response to Cybercrime and Fraud	0.340	0.420
Data Forensics	0.020	0.180
Domestic Abuse Investigation and Safeguarding Unit (DAISU)	0.165	1.156
Response to increasing demands on the Safeguarding Command	0.480	0.775
Public Contact and Victim Services	-	1.200
Other Areas of Demand	0.115	0.425
Total	1.120	4.156

8.2 Response to Fraud and Cybercrime - £0.420m 2016/17

As part of the 2015/16 budget, funding totalling £0.760m phased across two years was agreed for Serious and Organised Crime to develop Hertfordshire's capability to response to Fraud and Cybercrime. The investment funded growth in specialised police officer and police staff posts within the Hertfordshire Cyber and Financial Investigation Unit which was established during 2014/15 to undertake work falling outside of national/regional responsibilities as well as existing and emerging risks from cybercrime. The second tranche of funding in 2016/17 will increase officer numbers by 7.5 fte and police staff by 3.0 fte. In the light of the Home Secretary's announcement relating to the Transformation Fund we await further information on how the Home Office intend to develop national Cyber capability.

8.3 Data Forensics - £0.180m 2016/17

The Hi-Tech Crime Unit undertakes the examination of computers, phones and other electronic devices and is now a fundamental element in many and varied types of crime investigations. Often the evidence gathered is key to successful prosecutions Earlier this year Chief Officers made available £0.120m on a temporary basis to help meet increased demand through additional staffing capacity (3 fte) and the ability to outsource some of the higher risk cases to external providers. It is proposed to invest £0.180m in the Hi Tech Crime Unit in 2016/17 to support the retention of this level of capability

8.4 Domestic Abuse Investigation and Safeguarding Unit (DAISU) £1.156m 2016/17

In September 2013, HMIC was commissioned by the Home Secretary to inspect the police response to domestic violence and abuse. The report, 'Everyone's Business: Improving the Police Response to Domestic Abuse' found that, while most forces and police and crime commissioners have said that domestic abuse is a priority for their areas, this is not being translated into an operational reality. Following this, in 2014, HMIC reviewed Hertfordshire's approach to tackling domestic abuse and listed a number of areas for improvement. The PCC commissioned a root and branch review of services engaged in tackling domestic abuse in the Autumn of 2014, conducted by the charity CAADA (Coordinated Action against Domestic Abuse). As a result of the review a new governance structure has been put in place for tackling domestic abuse together with partners.

At July 2015 SEB it was agreed to replace Hertfordshire's then twin-track approach to domestic abuse, with the Harm Reduction Unit (HRU) in the Local Policing Command (LPC) being responsible for the safeguarding and protection of victims while the Domestic Abuse prisoners are dealt with by the Cell Intervention Teams (CIT) or Local Crime Unit (LCU) depending on the identified risk through the creation of a dedicated domestic abuse Investigation and Support Unit (DAISU) as part of the Safeguarding Command. The DAISU model provides an end to end service aimed at improving the outcomes for victims; reducing repeat victimisation and dealing more effectively with perpetrators. The structure proposed in July consists of 35 fte Police Officer and 22.5 fte at an overall cost of £2.4m. Funding will come from utilising the existing £1.3m of resources within the Harm Reduction Unit and supplementing this through realigning £1.1m of investigative resources (19 fte officer posts and 1.4 fte police staff) based in Cell Intervention Teams (CIT) (see Section 9.6 below).

8.5 Response to increasing demands on the Safeguarding Command- £0.775m 2016/17, £0.211m 2017/18.

Following implementation of the Safeguarding Command earlier this year whose remit includes Child Sexual Exploitation (part of the Strategic Policing Requirement and has been subject to focus from HMIC), a review has now been undertaken of the workload pressures currently faced by the unit across the full range of its activities excluding DAISU. The review shows a sustained rise in demand for a number of reasons: the public now have an increased confidence that reports will be dealt with sensitively and seriously. There have been a number of high profile cases in the media that have convinced other victims to come forward and report offences; many of those reports are non-recent. In addition, significant failings of how agencies have tackled child sexual exploitation around the country, and the associated publication of high profile reports, has raised awareness and caused agencies to be more alive to the signs of child sexual exploitation and make referrals. The review looked at the current responsibilities of the Safeguarding Command and made recommendations for investment in the Sexual Offences Investigation Team, the Joint Child Protection Investigation Team, the Public Protection Unit, Operation HALO and Safeguarding Adults from Abuse.

The 2016/17 requirement of the above is a full year pressure of £0.775m representing an additional 9 fte Police Officer and 11 fte Police Staff posts, with a full year effect of £0.211m 1 fte Police Officer and 5 fte Police Staff posts in 2017/18. Further work is being undertaken to develop the implementation and deployment plan.

8.6 Public Contact and Victim Services £1.200m 2016/17

Public Contact

A core part of policing services are the Public Contact resources through which members of the public can contact the police in order to report a crime and request emergency or other assistance. These services centre around managing incoming calls, organising dispatch of officers, arranging appointments and recording reported crime and incidents. These services are heavily interdependent and also impact on the level of activity and effectiveness of local policing. The BCH Strategic Alliance has agreed to collaborate the delivery of Public Contact. Ambitious objectives have been set, which will be enabled through new technology and it is intended that in subsequent years the operation of a collaborated function will release efficiency savings.

This area of work was subject to a BCH Full Business Case in summer 2015. The objective of Public Contact was defined as to deliver a high level of public and victim centred services, through:

- New channels providing victims with greater access to information and service.
- Improved public safeguarding due to improved data quality and information flows.
- New processes and ICT enabling better signposting to other agencies, supporting wider public safety agenda.
- Performance framework driving continuous improvement.

The FBC validated the scope to make net efficiency savings over the medium term. However, the savings will not commence until 2017/18 following the implementation of the new collaborated structure and new technology (including the Crime Recording module of the Athena system) in late 2016/17. This deferral of savings is designed to provide a high level of resourcing at a time of significant change and therefore support service delivery at this crucial time. This will therefore require re-instituting the £0.5m (2.6 fte police officer and 13.5 fte police staff) of 2015/16 savings. In addition the FBC set out the need to enhance resourcing relating to the Investigations Management Unit (IMU) thereby improving the recording and linking of public generated crimes and non-crimes through the Athena crime recording process. Work on validating the level of resources to undertake Athena processes in the IMU is on-going and at this stage an additional £0.37m (10 fte police staff) of resources have been reflected in the budget. This projection will be reviewed in early 2016/17 when the implementation plan is finalised and it may be necessary to further increase resources at this point (funded from the Change

Reserve) , after taking into account actual staffing levels and recruitment plans.

The Victim Services Team

Victim Services staff access the Crime system and make contact with victims, answering questions and assessing level of vulnerability and support required through the Beacon service. Demand on the Victim Services Team has been high in the last year and additional temporary resources have been put in place so as to meet agreed and increased victim requirements. At this stage the impact of Athena on the broader crime recording processes is being assessed. However, it is considered appropriate that an additional 10 fte police staff resources are made permanent in the Victim Services Team requiring additional investment of £0.33m.

8.7 Other Operational Demands £0.425m 2016/17

In setting the 2015/16 budget, the force identified opportunities to improve performance in a number of areas and commenced phased investment in Bail Management, Integrated Offender Management and Virtual Courts. The additional full year cost is £0.195m resourcing an additional 2.3 fte police officer and 3.1 fte police staff posts. Alongside this the force has invested one-off resources in identity document scanners and has employed a Foreign National Offender Co-ordinator. This role has proved effective in identifying offenders and resources will be built into the budget to make the post permanent. Finally, it is proposed that an additional 5 fte officers posts are built into the local policing teams and alongside this a review of the distribution of policing resources be undertaken to better reflect demand pressures across the 10 Community Safety Partnerships.

- 8.8 The impact of all the re-investment decisions is an additional 45 fte police officer and 51 fte police staff posts. The net impact of re-investment and savings on officer and police staff posts is set out in Section 9.7.

9 2016/17 AND MEDIUM TERM SAVINGS

- 9.1 Alongside re-investing in new areas of demand, the budget maintains the existing local policing model, with dedicated response, investigation and neighbourhood teams in each of the 10 Community Safety Partnership areas.

The focus of the Medium-Term savings plan is to achieve efficiencies in Organisational Support (back-office), Operational Support and Joint Protective Services (specialist policing functions) through putting in place collaborative teams with Bedfordshire and Cambridgeshire. Work is also commencing on exploring the scope to extend collaboration on a regional basis.

In addition the budget reflects a restructuring of some Hertfordshire specialist policing teams enabling the redeployment of experienced officers and staff into new areas of demand (as set out in Section 8).

The 2016/17 savings proposals are set out below.

Table 9 : 2016/17 Saving Proposals

	2016/17 £m
Organisational Support	0.503
Operational Support	1.235
Joint Protective Services	1.000
Eastern Region Serious & Organised Unit (ERSOU)	0.326
Hertfordshire Specialist Policing Teams	2.150
Total	5.214

9.2 Organisational Support -£0.503m

Organisational Support covers areas including Human Resources (HR) and Learning Development, ICT, Information Management and Estates. Full business cases have now been approved regarding the collaboration of HR, ICT and Information Management Departments across BCH and implementation work is proceeding. The 2015/16 budget included £0.7m of savings in these collaborated areas. It is anticipated a further £0.5m can be released across Organisational Support in 2016/17. This represents a slowing of the release of savings and assurance work is on-going aimed at testing the scope to deliver further savings in 2016/17. The key areas are:

- HR – The new BCH structure was introduced in December. The FBC has projected total BCH savings of £4.3m over the Medium-Term, although the majority of savings will fall to Hertfordshire. The release of savings above the 2015/16 level, is relatively low recognising there is a large dependence on the new HR system to release efficiency savings. In addition there is significant process change required to move to the new target operating model. Significantly greater savings are projected for 2017/18.
- ICT – The FBC projected BCH savings of £3.8m - £5.5m over the four year period. Implementation planning work is now going forward regarding putting in place the new staffing structure and rationalising non-pay budgets as the three forces extend the single ICT infrastructure. At this stage it is projected that the initial tranche of savings will be in-line with the £0.400m built into the 2015/16 budget. Further Hertfordshire savings are now projected to be delivered in 2017/18 following the implementation of new collaborative Athena and HR / Finance IT systems. The collaboration of Information Management is also projected to release savings of £0.087m in 2016/17.

- Both Finance and the Resource Management Unit (RMU) will be subject to BCH led change in the coming year, with Finance and RMU savings generated in 2017/18 following the implementation of the new Finance system and introduction of new processes. Work is on-going to assess the impact of the early removal of Finance efficiencies. Similarly BCH led Legal Service efficiencies are projected to be delivered in 2017/18 and it is considered in the interim it is possible to reduce the Legal Settlement budget with base level provision maintained in Legal Department budget and excess costs charged to the Legal Reserve. Some £1.7m of Estates savings have been achieved in the last 2 years, leaving more limited scope to achieve further efficiencies in 2016/17. In total there is scope to deliver £0.300m - £0.400m savings across the non-collaborated Organisational Support areas.

It is projected that approximately 18 posts will be removed in Organisational Support. It is anticipated this will largely be achieved through natural turnover.

9.3 Operational Support – £1.235m

BCH Full Business Cases (BCH) have been approved for Custody, Criminal Justice and Firearms Licencing generating for Hertfordshire some £1.235m of savings in 2016/17. Work is now ongoing in developing the implementation plans.

- Custody – The FBC reviewed the existing custody provision, modelling demand, journey time and required custody resources. The FBC proposed a two custody site model in Hertfordshire with custody provision based in Hatfield and Stevenage. The closure of Hoddesdon and Watford custody sites generates pre collaboration savings for Hertfordshire in the number of Custody Sergeants and Detention Officers and also a reduction in Front Desk resources. Where appropriate custody resources have been redeployed to Hatfield and Stevenage to meet the higher level of demand at these sites. In total the Custody and Front Desk changes generate savings of £0.76m and result in a reduction of 4 fte police officers and 17 fte police staff. The establishment of joint BCH management structure and common shift system will create the ability to share resources across the three counties and achieve savings at Inspector level, which will generate further savings in 2017/18.
- Criminal Justice (CJ) – As set out in the approved FBC, BCH savings are projected at £0.46m in 2016/17 of which £0.41m go to Hertfordshire. The primary purpose of CJ functions is to progress bringing offenders to justice as effectively as possible. In doing so, it is important that cases are managed effectively and that files are of sufficient quality to be submitted to CJS partners within expected timescales. It is intended the collaborative CJ will also improve the delivery of services across the CJ system resulting in an improved service to witnesses and victims. Savings will be achieved through greater use of technology such as Electronic Witness Statement (EWS) and digital storage solutions. Phase 1 of BCH CJ has been approved and staff consultation completed. It covers Typing Services, Taper Librarians, CJ Policy and Performance, Virtual Courts and Live Links. Typing Services and Tape Librarians teams will be centralized to form the BCH Digital Administration Services. Collaboration will see the introduction of digital storage solution for cases which will reduce the time taken to manage recorded suspect

interviews. It is projected that through brigading the BCH teams and using new technology it will be possible to achieve a reduction of 11 fte police staff posts.

- Firearms Licencing – BCH saving including increased charges are estimated at circa £0.22m. Hertfordshire saving £0.07m. Firearms licensing covers the initial application for a Firearms or an explosives licence, on-going renewals and revocations. The tri-force unit came into existence in December 2015 from the consolidation of the existing Beds Herts Unit and the Cambs Unit. Savings will be realised through efficiencies resulting from new IT and police staff reductions circa 2.5 fte.

9.4 Joint Protective Services - £1.000m

The JPS command was set a tri-force savings target of 5% for 2016/17 of which Hertfordshire's share is circa £1.0m. A number of reviews were undertaken to identify areas for savings. These reviews have broadly achieved this target with the great majority implemented in 2016/17 and these part year savings have been supplemented with a higher vacancy factor. Overall the savings will reduce police officer posts by 8 fte. The savings include:

- JPS Uniform - The business case proposed circa 5% savings or £1.6m for BCH of which Hertfordshire share is £0.42m. Savings include: reduction to the RPU fleet, the ANPR hub; and the dog handlers fleet. In the light of the recent HO decision to prioritise Armed Response resources it is important to note that the JPS business case has minimal savings in this area. We await details of how the HO will take forward the nationally funded 'strengthening' of Armed Policing.
- Within Scientific Services completion of changes within the Finger Print Bureau as well as on-going work to review the units Senior Team are expected to deliver Hertfordshire efficiencies in the region of £0.20m.
- A review of the Major Crime Unit is expected to deliver savings of which Hertfordshire's share is £0.17m. The savings predominantly arise from a realignment of resources to workload across the two Hubs, the adoption of a one team approach allowing reductions to some teams' sizes and realignment of supervisory capability.
- The balance of the savings circa £0.22m will come from increases to vacancy factors to reflect current establishment and absorption of inflation on non-pay budgets.

9.5 ERSOU & Hertfordshire Serious and Organised Budget – £0.326m

2016/17 will see a further expansion of ERSOU as additional local capability is brigaded at a regional level. Planned net savings totalling £0.326m and equivalent to a reduction of 4fte Police Officers and 3 fte Police Staff can be generated as follows:

- The regionalisation of undercover foundation is designed to increase the capability of the current ERSOU undercover unit. This is in-line with the national direction and the unit will co-ordinate all undercover policing tactics across the region. This will require the transfer of the Hertfordshire capability within the Serious and Organised Crime Unit. Regionalisation will reduce overall staff engaged in this area of policing. It seeks to achieve greater oversight of regional assets and a single approach to the purchase and maintenance of equipment. This is currently an area of relatively high investment by Hertfordshire and our share of savings is estimated at £0.10m with a resultant reduction of police officers numbers.
- The establishment of a Regional Technical Surveillance Unit - This unit will deliver regional capability and also provide oversight, support and advice to Force Technical Support Units and act as the SPOC for equipment and training procurement with the aim of generating efficiencies through a reduction in the amount of equipment currently held, reducing running costs for existing equipment and licensing. Once again this is currently an area of high investment by Hertfordshire and savings are expected to be £0.23m and a resultant reduction in police officer and police staff numbers.

9.6 Hertfordshire Specialist Policing Units - £2.150m

The 2016/17 budget has sought to sustain Hertfordshire local and specialist policing capability, including the existing 10 CSP based policing model. However, there is a need to adapt and redeploy elements of the specialist policing capability in response to new demands in areas such as Safeguarding.

Case Investigation Team (CIT) - £1.395m

CIT capability has been reviewed in response to the need to brigade Safeguarding investigative resources, fund investment to meet pressures faced by Safeguarding teams and the proposal to move to two custody sites in Hertfordshire. Prior to the establishment of the Safeguarding Command, domestic abuse prisoners were dealt with by CIT or Local Crime Units depending on the identified risk, with the responsibility for safeguarding and protection of victims dealt with by the Harm Reduction Unit. The establishment of the specialist Domestic Abuse Safeguarding Team focussed on reducing demand through preventative measures will promote greater efficiency, reduce duplication and handovers and enable a restructuring of our CIT capability. A first tranche of savings were built into the 2015/16 budget linked to the proposed closure of Hoddesdon custody. A further review, taking into account the closure of Watford custody indicates scope to extend efficiency savings to £1.4m through reductions in officer and Assistant Investigator resources in all four CIT units and enabling experienced officers and staff to be redeployed into wider Safeguarding roles.

Proactive Teams (CIT) - £0.755m

Early in 2015/16 Chief Officers undertook a review of the proactive teams (LPC Tactical team, LPC Mobile Scorpion team and the RAID team) which had existed in their current form for around seven years. The review was

undertaken in the context that since their establishment volume crime has reduced, advances in technology has changed the ways in which crime is carried out; increased regionalisation and collaboration of specialist operational policing functions and finally the opportunity to enable reinvestment in new areas of criminality. The review resulted in the rebranding of the proactive teams into the Operational Support Group and released efficiencies through removal of the RAID team, civilization of the management of Trap and technical assets, changes to shifts and the relocation of the tactical teams. There have also been offsetting increases to officer numbers of one per team in the Covert Investigation Unit and a transfer of three PC posts to the Mobile Scorpion Team resulting in a net decrease of 17 fte police officers and an increase of 1 fte police staff.

Staffing Impact

- 9.7 The impact of all the 2016/17 savings is a reduction of 51 fte police officer and 65 fte police staff posts.
- 9.8 With regard to the overall police officer establishment numbers and taking into account the savings and investment proposals, there will be a reduction in the police officer budgeted establishment in 2016/17, reducing from a base figure of 1,927 fte to 1,921 fte. At the beginning of 2016 actual officers numbers were 1,890. A high level of recruitment is planned for the remainder of 2015/16 and it is projected that actual officer numbers will increase to the new establishment figure of 1,921 fte by the beginning of the new financial year, with the aim of maintaining them at this level in 2016/17.
- 9.9 For police staff there will be a projected net reduction of 14 posts, with overall establishment reducing from a base figure of 1,642 fte to 1,628 fte. The BCH collaboration figures in particular are based on high level assumptions and will be updated following implementation of the business cases and development of the implementation plan. At this point it is envisaged that a significant proportion of the net reduction in police staff posts set out above will be achieved through existing vacancies and natural turnover. However, it is appreciated that the collaborative changes may involve changes in location and this could serve to increase the level of redundancies.

Medium-Term Savings

Table 10 : Medium Term Savings Plan

	2017/18 £'m	2018/19 £'m	2019/20 £'m	Total £'m
BCH Organisational Support and Operational Support	2.6	2.1	1.4	6.1
Total	2.6	2.1	1.4	6.1

- 9.10 The BCH Collaboration Programme has set out a 4 year efficiency programme covering Organisational Support (HR, ICT, Finance, Legal Services, Procurement, Estates, RMU, Firearms Licencing) and Operational (Public Contact, Criminal Justice, Custody). A wide range of areas have now achieved

Full Business Case approval and implementation has commenced in a number of areas and plans are well advanced in the other areas. However, the release of BCH savings has been slower than was envisaged when the 2015/16 budget was set as the FBC process was progressed across 8 service areas addressing structural, technology, location issues. Work is being undertaken to validate savings projections and at this stage a more prudent projection of £6.1m (2017/18 – 2019/20) has been included in the Medium-Term plan. The Medium Term Plan is subject to regular review taking into account implementation plans, new demands and efficiency opportunities.

- 9.11 For JPS units (Major Crime, Armed Police, Roads Policing, CT&DE, PSD and ERSOU) further efficiency work will be taken forward, taking into account the Home Office's approach to specific service area such as Firearms.
- 9.12 Work has recently commenced across the Eastern Region (plus Kent) aimed at seeking to enhance frontline policing services by driving out further efficiencies through collaboration at a regional level. The scope of the programme is to cover all areas other than local policing. A seven force change team (Eastern Region plus Kent) and a DCC lead has been appointed to head the team.

10 POLICE AND CRIME COMMISSIONER BUDGET

Office of the Police and Crime Commissioner

- 10.1 The Office of the Police and Crime Commissioner (OPCC) continues to be reshaped to reflect the wider requirements and the increased responsibilities of the Commissioner's role. A full permanent staffing complement was achieved approximately mid-year and there has been an appropriate salary reapportionment between the domestic and volunteering budgets which has resulted in a small anticipated underspend of approximately £0.010m on the domestic pay budget. The budget requirement for 2016/17 has absorbed the additional pressure of the increase in National Insurance contributions (which comes into effect at the beginning of the 2016/17 financial year), contractual salary increments and an anticipated cost of living increase of 1% from September 2016 as well as a prudent contingency for recruitment/casual staff costs.
- 10.2 There are no material changes to the non-pay costs budget and as a result the budget has been set at the same level as 2015/16.
- 10.3 The above changes lead to a total domestic budget £0.989m which represents a £0.025m increase on 2015/16 which, as noted above, absorbs all of the additional pay related pressures.
- 10.4 The Commissioner and Chief Constable have agreed to maintain cost-effective arrangements whereby Constabulary support is provided to the Commissioner's office, for example for Finance and Communications.

Commissioning Budgets

- 10.5 In 2016/17 the Commissioner will hold approximately £2.447m of budgets to fund initiatives and enable him to meet his wider commissioning responsibilities. These are set out in Table 11 below.

Table 11 : Police and Crime Commissioner’s Commissioning Budget

	2016/17 £'m
Community Safety Fund	0.837
Victim Support Services	1.260*
Road Safety Fund	0.230
Adults with Complex Needs	0.120
Total	2.447

* Exact level of funding yet to be confirmed

Community Safety Fund

- 10.6 Community safety funds will be devolved at the same level and to the same organisations in 2016/17 as in 2015/16. This includes continued funding for county level partners such as the Youth Offending Service and the County Community Safety Unit, as well as continued contributions to district Community Safety Partnerships. It is a requirement for the fund recipients to explain their spending intentions in their budget reports and these must support and align with the Commissioner’s Police and Crime Plan. Reports of the results achieved through the use of this funding will be reported back to the Commissioner’s office. A review concerning the 2017/18 distribution has been carried out and the outcome is to move to a bidding process in 2017/18 subject to confirmation by the incoming Commissioner.

Victim Funding

- 10.7 The Commissioner has held responsibility for the commissioning of Victims’ Services from April 2015. £1.260m was allocated by the Ministry of Justice (MoJ) to provide victim services for 2015/16 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 are not ring-fenced as it is for the Commissioner to determine the most appropriate allocation to deliver services locally. The allocation of funds for 2016/17 has not yet been confirmed by the MoJ (an announcement is expected shortly).
- 10.8 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.
- 10.9 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.

10.10 **Road Safety Fund**

Correspondence to the Commissioner's office and responses to public consultations have shown that improving road safety across the county, including speeding and anti-social road use, is a priority for Hertfordshire residents. In line with the Commissioner's Offender Pays agenda, a dedicated ring-fenced Road Safety Fund was established from 1 April 2015 using the 'surplus' income generated by the tri-force Camera, Tickets and Collisions (CTC) Unit. Current forecasts indicate the Hertfordshire share of the surplus in excess of budget from the tri-force CTC Unit will be in the region of £0.700 for the year 2015/16. It is currently forecast that the fund balance will be circa £1.300m at 1 April 2016.

10.11 **Adults with Complex Needs**

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 invested £0.240m to support the Adults with Complex Project to find efficiencies across the criminal justice system and reduce demand on public service delivery.

A payment plan for this project has now been agreed with payment of £0.030m per quarter being made to a total of £0.240m. Funding for this project is from reserves.

Table 12 : Adults with Complex Needs

	2015/16 £'m	2016/17 £'m	2017/18 £'m	Total £'m
Payment Schedule	0.090	0.120	0.030	0.240
Payments Made	0.030	0.000	0.000	0.030

MEDIUM TERM FINANCIAL PLAN (MTFP)

10.12 This section brings together standstill, funding, precept, reserves, investment decisions and savings assumptions into an overall Medium Term Financial Plan.

Table 13 : MEDIUM TERM FINANCIAL PLAN 2016/17 to 2019/20

	2016/17 £'m	2017/18 £'m	2018/19 £'m	2019/20 £'m	Total £'m
Gross Budget Gap (see Table 7)	5.508	3.121	3.776	3.890	16.295
Use of Specific Reserves	-2.650	-2.760	-1.930	-1.930	-9.270
Spending Funded by Specific Reserves	2.650	2.760	1.930	1.930	9.270
Base Budget Reserves					
- Reserve	-4.450	-4.450	-4.450	-4.450	-17.800
- Pressure	-	4.450	4.450	4.450	13.350
Reinvestment	4.156	0.211	-	-	4.367
Savings	-5.214	-2.593	-2.080	-1.389	-11.276
Shortfall / (Surplus)	0.000	0.739	1.696	2.501	4.936

10.13 MTFP Summary:

- The grant reduction announced in the Police Provisional Settlement was lower than anticipated. It is now projected there will be a cash reduction in grant funding over the medium term of £4.6m.
- Overall the Provisional Settlement is less challenging for the police service as a whole, with a ring-fenced increase in resources in counter terrorism/ firearms.
- There is risk of a further reduction from the police funding formula review and treatment of council tax legacy grants including the council tax freeze grants. Conversely, there is also the potential that the force will receive a higher share of formula funding as to-date the review has indicated that a greater proportion of resources may be directed to shire forces.
- For Hertfordshire, significant reserve balances allow a phased approach to savings and provide some mitigation to further grant reductions including a reallocation of resources by the Home Office.
- After building in the use of reserves Hertfordshire's net savings requirement is £11.8m (see Table 7).
- The BCH efficiency programme is in place and in addition Regional work is being taken forward. There is significant reliance on the BCH programme but there is also scope to initiate a wider Hertfordshire Change Programme.
- The MTFP assumes maintaining Band D Council Tax at the 2016/17 level. At this stage it is projected that the maximum precept increase permissible would exceed that required to bridge the funding shortfall.

11 CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS


Summary Capital Programme


- 11.1 Table 14 below shows a high level overview of the capital programme for 2016/17 to 2019/20, with further details set out in Appendix E. The table sets out a programme totalling £8.154m of expenditure in 2016/17 and a total of £22.044m up to 2019/20. The four-year programme will be funded from general capital grant of £2.748m, Police Innovation Fund income of £0.944m, and capital receipts of £18.352m.
- 11.2 In constructing the 2016/17 capital programme the opportunity has been taken to review 2015/16 spend and the potential for major delays in planned spend. Where this has 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 2016/17 spend. The resultant 2016/17 figures reflect this process and provides a capital programme of £8.154m with the intention that slippage into 2016/17 will be materially lower than previous years.


Table 14: Proposed Capital Programme 2016/17 – 2019/20

Planned Expenditure	2016/17 £'m	2017/18 £'m	2018/19 £'m	2019/20 £'m	Total £'m
Estate Programme	1.362	0.400	0.400	0.400	2.562
IS Strategy And ICT Investment	4.049	3.977	1.742	1.268	11.036
Fleet	1.585	1.576	1.461	1.477	6.099
Technical And Specialist Equipment	0.274	0.274	0.274	0.274	1.096
Police Innovation Fund	0.471	0.221	0.073	0.073	0.838
BCH Change Programme	0.413	-	-	-	0.413
Total Capital Programme	8.154	6.448	3.950	3.492	22.044
Funded By:					
Capital Grant	0.687	0.687	0.687	0.687	2.748
Police Innovation Fund	0.783	0.161	-	-	0.944
Use Of Capital Receipts	6.684	5.600	3.263	2.805	18.352
Total Capital Funding	8.154	6.448	3.950	3.492	22.044

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GROSS BUDGET 2015/16

	2015/16 Gross Budget £'m
Local Policing Command & Crime Reduction	
Local Policing Command	82.4
Protecting Vulnerable People - Safeguarding	8.1
Crime Reduction & Community Safety Unit	1.5
County Safety Unit	0.4
Total	92.4
Protective Services	
Regional and BCH Uniformed (Road Policing, Major Crime Unit)	11.0
BCH & Regional Non-Uniformed (CT&DE, Major Crime, PSD, ERSOU)	11.0
Protective Services	6.8
Total	28.8
Operational Support	
Contact Management	10.7
Criminal Justice Department	10.2
Other (Camera Tickets Collision, Firearms Licensing, HCJB)	6.7
Total	27.6
Business Support	
Estates and Facilities Department	8.1
HR (Including Training)	6.5
ICT	8.8
Corporate Services	3.3
Other (Finance, Collaboration, Procurement, Legal)	7.1
Total	33.8
Corporate Budgets	
Pensions	0.7
Capital Finance	0.9
Other	5.6
Total	7.2
Change / Operational Capability Reserves	0.6
Officer of the Police and Crime Commissioner	
Office	1.0
Commissioning Budget	2.4
Total	3.4
Total Gross Budget	193.8

B1 HMIC Financial Benchmarking

B1.1 HMIC have recently published their annual VFM profile. The key points to note are:

- Hertfordshire's total spend (per head of population) is 11.5% or £21.5m below the national average and 1.0% or £1.8m below the Most Similar Group (MSG) average. The main outliers within this are Non-staff costs and National policing where Hertfordshire's costs are significantly below the national average.
- Hertfordshire (including BCH component) Support Services (broadly comparable to Organisational Support) costs are 5% or £1.7m below the national average cost but 8% or £3.0m above the MSG cost. Hertfordshire's cost includes the contribution to running the BCH Change Programme. It should be noted that the BCH Programme is projected to achieve annual savings of at least £3.5m in Organisational Support.
- The analysis shows a number of outliers in the Hertfordshire Local and Specialist policing area (including ERSOU and JPS / Major Crime). In the area as a whole Hertfordshire is spending £4.8m /4.5% above MSG. The main areas where Hertfordshire is an outlier are:
 - Local Investigation/Prisoner Processing where Hertfordshire's budget of £21.1m is £6.4m / 50% above both the MSG and national level of spend. Hertfordshire has the 4th highest level of spend in the country. This area is the subject of savings proposals. (N.B. Hertfordshire does have lower spend on related areas such as Intelligence and Investigative Support and it is possible that comparison across all these headings is distorted by different force structures and remit).
 - Serious and Organised, where Hertfordshire's budget of £5.7m is some £2.6m or 85% greater than the national average and £1.6m or 40% above MSG average. This area is subject of savings proposals.
 - Public Protection, where Hertfordshire's budget of £7.1m is £2.4m /25% below the both the national and MSG average. This area is subject of re-investment proposals.

N.B. Serious and Organised and Public Protection are part of the Investigation heading. This heading also includes Cyber, Economic Crime and Major Investigation and it is considered likely that comparison at sub-heading level is distorted by different force structures and remit. On the Investigation heading as a whole Hertfordshire is spending £1.1m or 5% above the national average and £0.8m above the MSG average.

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 £5.340m (2.9% of the 2015/16 budget) would be adequate for the 2016/17 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 main risks that have been provided for relate to budgetary control (£1.8m), major incidents (£1.3m), business continuity (£0.5m), the non-achievement of savings (£0.8m), local support for council tax (£0.3m) and delays in the generation of capital receipts (£0.1m).
- C1.3 The figure of £5.340m is a marginal decrease of £0.110m on last year and reflects the risk of savings underachievement on new BCH collaboration savings within both Operational and Organisation Support areas offset by reduced risks to partner income and interest rate exposure on investments.

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 2015/16.

Proposed Estimated Level of Specific Reserves	31st March 2015 £'m	31st March 2016 £'m
Base Budget Support	21.567	25.317
Change Reserves	11.744	9.744
Operational Capability Reserve	3.000	1.600
Commissioner’s Reserve	0.861	0.556
Adults With Complex Needs	0.240	0.150
Road Safety Fund	0.631	1.329
Local Partnership Reserve	0.000	0.400
Legal & Insurance Fund	0.423	0.423
Ill-Health Early Retirement	0.600	0.340
Reactive Maintenance Fund	1.128	1.028
Police Property Act Fund (Resolved)	0.070	0.070
Force Drugs Fund	1.296	1.296
Unconditional Funding Reserve	0.735	0.735
Total Specific Reserves	42.295	42.988

C3 Review of Reserves

C3.1 The Chief Financial Officer notes that as at March 2015 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 2016 is forecast to be £48.328m, including £5.340m of general reserves.
- The Commissioner should plan on the assumption of the need to retain £5.340m (2.9% of the 2016/17 net budget) as a minimum prudent balance in general reserves for the 2016/17 financial year.
- In line with other police forces the overall level of reserves has continued to increase over the last four years. This has significantly strengthened the overall financial position and allows the Commissioner to plan to make a draw of £17.800m on reserves to support the budget over the medium term.
- That £9.744m of the 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 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 2016/17 budget are:

- Delivering the planned level of savings. Circa 50%-60% of the 2016/17 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 3.9 a number of bids have been submitted to the Police Innovation Fund covering both revenue and capital expenditure totalling £1.5m. Notification of the outcome of these bids is not expected until March and is unsuccessful may present the need to draw further on 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. 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.

2016/17 Council Tax for Police and Crime Commissioner Purposes

A	£40,000 or less	£98.00
B	£40,001 to £52,000	£114.33
C	£52,001 to £68,000	£130.67
D	£68,001 to £88,000	£147.00
E	£88,001 to £120,000	£179.67
F	£120,001 to £160,000	£212.33
G	£160,001 to £320,000	£245.00
H	£320,001 or greater	£294.00

Indicative Precept Amount Required From the District Councils*

	£
Borough of Broxbourne	5,001,439.80
Dacorum Borough Council	8,126,454.00
East Hertfordshire District Council	8,416,470.30
Hertsmere Borough Council	5,805,912.00
North Hertfordshire District Council	7,054,471.20
St Albans District Council	8,937,335.40
Stevenage Borough Council	3,805,609.50
Three Rivers District Council	5,492,993.10
Watford Borough Council	4,603,262.37
Welwyn Hatfield District Council	5,802,104.70
Total Precept	63,046,052.37

* All precept figures are draft until receipt of final Tax Base information from district councils due at the end of January.

CAPITAL PROGRAMME.

E1 Estate Programme - £1.362m

E1.1 The Estates Strategy seeks to create a fit for purpose single deployment base within each district or borough in line with the agreed policing model. In support of this the strategy identifies those sites offering long-term benefits from retention, sites requiring on-going investment to maintain operational effectiveness, and sites providing opportunities for increased partnership presence. The strategy aims to create a cost effective presence in the county, enabling the disposal of underutilised buildings and the shared use / leasing of sites. Work is also progressing on exploring the benefits of working with local authority partners to maximise the value of adjoining surplus sites so as to achieve an income stream.

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

Table E1: Estate Programme

Planned Expenditure	2016/17 £'m	2017/18 £'m	2018/19 £'m	2019/20 £'m	Total £'m
Estate Support Costs	1.112	0.150	0.150	0.150	1.562
Minor Works	0.250	0.250	0.250	0.250	1.000
Total	1.362	0.400	0.400	0.400	2.562

Estate Support Costs (£1.112m)

E1.3 An initial review of the estate, carried out by crime prevention security advisors and estates staff has identified the need to upgrade a number of sites to include automatic gating and other security measures. An initial estimate of £0.800m for this work is included.

E1.4 Remedial work to the concrete façade at Hemel Hempstead Police Station is required. The cost of this is currently being assessed, but is expected to be in the region of £0.100m.

E1.5 A further allowance of £0.150m has been made to meet the cost of feasibility work on partnership presence, co-location, or other site sharing opportunities should they arise, and to support other new estate developments. Dependent on the outcome of the feasibility assessments a business case would be completed setting out the basis for incurring additional capital resources.

Minor Works (£0.250m)

E1.6 Planned minor works for 2016/17 include replacement of boilers and energy controls (£0.075m), a schedule of energy and sustainability improvements

(£0.050m), and other work to include air conditioning, electrical systems and restroom refurbishment (£0.125m).

E2 Information Communication Technology (ICT) Investment Programme (£4.049m)

E2.1 The Information Systems Strategy seeks to balance investment costs with benefits from improving core infrastructure and systems within Hertfordshire, as part of an integrated approach across BCH. This includes recognising new technology trends, and providing investment to ensure that the three forces' infrastructure is suitable for operational needs and integrates ICT infrastructure across BCH. Collaborative schemes anticipated for 2016/17 have been identified, although business cases will be required before these are progressed. In particular significant work is on-going on the ICT infrastructure convergence project. Comparable investment will also be required from collaboration partners.

E2.2 The following key themes have been considered when setting the IS Strategy for 2016/17 and beyond.

- Increasing financial constraints faced by BCH mean there is a need for standardised processes and procedures within the BCH ICT environment, and better utilisation of legacy investment within ICT.
- The provision of an integrated ICT platform across the BCH allows ICT to become a key enabler in improving services to the public through innovation, cost effectiveness and smarter ways of working.
- Investment is required in enabling technologies for ICT to deliver a tri-force environment.
- An integrated environment also helps ensure that information is more freely accessible across BCH, allowing a closer alignment of operational and back office collaboration.
- The programme needs to be set in the context of anticipated requirements from the Organisational Support and Operation Support work streams, and these work streams will need to secure necessary funding.
- There is a degree of uncertainty inherent in the timescales of some areas of work, such as the HR/Finance system or wide area network development, that will be implemented across 2015/16 and 2016/17.

Table E2: ICT Investment Programme

Planned Expenditure	2016/17 £'m	2017/18 £'m	2018/19 £'m	2019/20 £'m	Total £'m
ICT Information Systems	1.053	0.301	0.219	0.245	1.818
ICT Infrastructure	0.818	0.818	1.318	0.818	3.772
ICT Communications / Airwave	0.419	2.355	0.105	0.105	2.984
Collaboration Work Streams	1.759	0.503	0.100	0.100	2.462
Total	4.049	3.977	1.742	1.268	11.036

ICT Information Systems (£1.053m)

- E2.3 **Mobile Data (£0.444)** – Current planned mobile data work includes purchase and fitting of mobile data solution to new vehicles (£0.219m), retrofit to rural cars and prisoner vans (£0.048m), laptops for crime management teams (£0.048m), and Wi-Fi fitting to vehicles (£0.031m).
- E2.4 **Athena (£0.319m)** – Costs in 2016/17 will include year 2 of 2015/16 regional PIF match funding (£0.203m), module implementation (£0.081m), and back record conversion (£0.030m).
- E2.5 **ANPR (£0.140m)** – Planned work includes installation of 27 new cameras over two years (£0.080m) and the annual replacement programme for existing units (£0.060m)
- E2.6 **Other Projects (£0.150m)** – Other work will be around the development of small IS systems (£0.150m)

ICT Infrastructure (£0.818m)

- E2.7 **Microsoft Enterprise Agreement (£0.323m)** – Hertfordshire will continue its annual fixed cost licensing agreement for the use of Microsoft products.
- E2.8 **PC / Printer Replacement Programme (£0.220m)** – The replacement of desktop computers and printers will continue on a regular cycle. However, many of these items are now replaced by more flexible devices, such as laptops and tablets, which tend to have a higher cost and shorter useful life.
- E2.9 **Platform Development (£0.120m)** – 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.

- E2.10 **Desktop Software, Outlook, Exchange etc (£0.100m)** – Continuing investment is needed to provide a single email exchange system across BCH.
- E2.11 **Other Infrastructural Work (£0.055m)** – Other planned work includes printer replacement programme (£0.045m), and integrated voice and data network (£0.010m).

ICT Communications (Including Airwave) (£0.419m)

- E2.12 **Emergency Services Mobile Communications Programme (£0.300m)** – ESMCP will link emergency services together on the same network, and is designed to allow officers to remotely access key systems, and items such as electronic fingerprinting and witness statements. Development is expected to begin in 2016/17 following the award of four key tenders nationally.
- E2.13 **Other Communications Work (£0.119m)** – Other communication expenditure will include telephony systems (£0.065m), automatic call distribution (£0.040m), and covert airwave systems (£0.014m).

Collaboration Work Streams (£1.759m)

- E2.14 **HR/Finance System (£0.949m)** – Contracts for the development of an integrated HR / Finance system are expected to be awarded shortly, with work planned for completion by the end of 2016/17. A Police Innovation Fund bid has been made to support this development, with funding announcements due to be made by the end of March.
- E2.15 **Network Servers (£0.330m)** – Investment in 2016/17 will focus on the replacement of network switches nearing the end of their useful life. These switches provide a vital role in linking devices to the force network, and their failure can have a significant impact on operational activity.
- E2.16 **ICT Infrastructure Convergence (£0.232m)** – This work is important in providing a single BCH ICT capability. Developments will allow further collaborated work through the provision of single BCH ICT infrastructure, and investment in 2016/17 will conclude work around wide area network and data centres.
- E2.17 **Digital Evidence (£0.100m)** – The second phase of digital evidence investment will provide a BCH data repository for the networked storage of digital interview data and associated datasets. Body worn video will be a priority area following a successful bid by Bedfordshire to the Police Innovation Fund.
- E2.18 **Other Collaborative Developments (£0.148)** – Other planned developments include replacement internet / intranet (£0.050m), analytical tools (£0.050m), and RIPA (£0.048m).

E3 Fleet - £1.585m

- E3.1 Hertfordshire currently operates a fleet of 552 vehicles, as well as contributing to the joint ERSOU fleet. Fleet replacement is based on vehicle age, condition and mileage. Vehicles are typically replaced every six years or so, and the capital programme reflects the impact of this, as well as savings through reducing vehicle numbers, economies of scale through membership of Chiltern Transport Consortium, and adoption of industry best practice. The medium term fleet programme ensures that the mix of high-cost and standard vehicles replaced each year gives a smooth financial profile.
- E3.2 Hertfordshire recently took part in a collaborative procurement exercise led by West Midlands, which will see a new fleet contract awarded in December. The revised pricing structure will give a saving on the capital programme of around 5.5%.
- E3.3 The Hertfordshire fleet replacement programme for 2016/17 has been set at £1.493m using the new pricing structure.

Table E3: Fleet Replacement Programme

Planned Replacement	2016/17 £'m	2017/18 £'m	2018/19 £'m	2019/20 £'m	Total £'m
Hertfordshire Fleet	1.493	1.484	1.369	1.385	5.731
ERSOU Fleet (Hertfordshire Share)	0.092	0.092	0.092	0.092	0.368
Total	1.585	1.576	1.461	1.477	6.099

Table E4: Fleet Replacement Numbers

Planned Replacement	2016/17	2017/18	2018/19	2019/20	Total
Hertfordshire Fleet	99	95	83	92	369
ERSOU Fleet (Hertfordshire Share)	6	6	6	6	24
Total	105	101	89	98	393

E4 Technical and Specialist Equipment - £0.274m

- E4.1 A budget is made each year for the planned replacement of specialist equipment, and to meet emerging equipment needs. This 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	2016/17 £'m	2017/18 £'m	2018/19 £'m	2019/20 £'m	Total £'m
Technical Support Unit – Hertfordshire	0.041	0.041	0.041	0.041	0.164
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	0.274	0.274	0.274	0.274	1.096

E4.2 Technical Support Unit (£0.041m) – This annual programme focuses on new and improved technology and the rolling replacement of basic stock, including surveillance equipment, trap assets, audio equipment, and cameras. This is Hertfordshire’s share of a regional capital programme.

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

E4.4 Specialist Equipment (£0.100m) - The use of this will be strictly controlled, and benefits arising from this investment will be assessed before funding is committed.

E5 Police Innovation Fund - £0.471m

E5.1 An element of ICT investment included in the Capital Programme is linked to Home Office approval of pending Police Initiative Fund bids. This includes the development of a customer relationship management system to support public contact, and a seven-force bid to merge existing Charter workflow systems, and to add Herts, Essex, and Kent. Both of these bids will require a degree of match funding.

Planned Expenditure	2016/17 £'m	2017/18 £'m	2018/19 £'m	2019/20 £'m	Total £'m
CRM System	0.299	0.221	0.073	0.073	0.666
Charter Workflow System	0.172	-	-	-	0.172
Total	0.471	0.221	0.073	0.073	0.838

E6 BCH Change Programme - £0.413m

E6.1 Work is being scoped around ICT investment requirements arising from the BCH change programme. This includes investment not funded within the core ICT programme, such as ICCS replacement, telephony, CCTV convergence, and voice recording. Building on the FBCs implementation planning is ongoing and the projected costs will be validated and if need be amended once the plan is approved in early 2016/17.

Planned Expenditure	2016/17 £'m	2017/18 £'m	2018/19 £'m	2019/20 £'m	Total £'m
ICT and Public Contact	0.413	-	-	-	0.413
Total	0.413	0.000	0.000	0.000	0.413

MINIMUM REVENUE PROVISION POLICY 2016/17

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 2016/17 on his 2015/16 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 2014/15 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 2016/17.