

Police and Crime Commissioner

for Hertfordshire

MEETING	POLICE AND CRIME PANEL
DATE	14th February 2013
TITLE	The Police and Crime Commissioner's 2013/14 Budget Proposal
SUBMITTED BY	The Police and Crime Commissioner for Hertfordshire

1. PURPOSE AND OVERVIEW

- 1.1 The purpose of this paper is to update the Police and Crime Panel (PCP) with regard to the Commissioner's 2013/14 budget proposal for the Office of the Police and Crime Commissioner and the Constabulary. This builds on approval of the Police and Crime Commissioner's (the Commissioner) precept proposal at the PCP meeting on 24th January. Following consideration by the PCP, the report will go to Commissioner's Strategic Executive Board on 19th February for approval.
- 1.2 The key issues in constructing the 2013/14 budget have been:
- The reduction in underlying grant funding of £3.899m.
 - The standstill spending pressures of £4.334m.
 - The increased level of reserves that have been established and the plan to draw on £1.438m of reserves. Of this £1.338m will be used to help balance the revenue budget and meet one-off proposals. A further £0.100m will be used to support the capital programme.
 - The commitment of the Commissioner to freeze the Band D Council Tax and access the Council Tax Freeze Grant of £0.673m.
 - The development of a savings programme totalling £6.801m with its focus on achieving savings in back-office roles, operational support and specialist collaboration roles.
 - The investment of £0.870m in Constabulary budgets, with the focus on increasing operational frontline officer capacity in neighbourhood and local policing teams. This is alongside the investment of £0.350m by the Commissioner in projects that support the Police and Crime Plan.
 - The intention to further develop savings proposals through the collaborative Strategic Alliance in order to address the medium term

financial challenge from 2014/15 onwards, alongside Hertfordshire internal savings plans.

- The good progress that has been made in achieving savings in the current financial year, leading to a projected underspend of £4.400m thereby providing a good level of confidence regarding achieving the required savings in 2013/14.

- 1.3 As set out in Section 1.2 above, although a number of budgetary pressures have been identified, the Chief Constable considers that they can be accommodated with the proposed 2013/14 budget. He considers that the proposed level of resourcing should prove sufficient to enable the Constabulary to address known or anticipated crime threats and also support the Commissioner's Police and Crime Plan.
- 1.4 Since the report to 24th January PCP we have received the final settlement information from CLG and the Home Office, which is unchanged from that previously presented apart from a small decrease in the level of Council Tax Support grant. In addition we have also received the final tax base, collection fund and indicative Council Tax Support Transitional Grant information from district councils. These serve to increase funding by £0.642m compared to our original planning assumptions.
- 1.5 This updated report also reflects the proposed reduction in partner funding for PCSOs (section 3.4), the Commissioner's proposed use of the Community Safety Fund grant (section 6.2) and the establishment of the Commissioner's Fund (section 6.3).
- 1.6 Table 1 below sets out the movement in net budget between 2012/13 and 2013/14 in terms of the key areas of change, and the resulting Council Tax Requirement.

Table 1 – Movement in Net Budget 2012/13 to 2013/14

	£'m
Net Budget 2012/13	184.380
Standstill Pressures	4.334
Constabulary & Commissioner's Investment	1.220
Savings	-6.801
Use of Reserves to Support Revenue Budget	-1.338
Loss of Council Tax Freeze Grant 2012/13	2.005
Council Tax Freeze Grant 2013/14	-0.673
Council Tax Support Grant	-6.522
Council Tax Support Grant Transition Grant	-0.060
Loss of Neighbourhood Policing Fund	5.300
Net Budget 2013/14	181.845
Less DCLG & Home Office Core Police Grant	-119.095
Less Council Tax Freeze Grant 2011/12	-1.660
Less Collection Fund Surplus	-0.178
Council Tax Requirement 2013/14	60.912

1.7 The report sets out the following information:

- Section 2: Policing Plan, Performance Context And Financial Baseline
- Section 3: Funding Settlement And Partner Funding
- Section 4: Council Tax
- Section 5: Reserves And Robustness Of The Budget Estimates
- Section 6: Police and Crime Commissioner Budget
- Section 7: Standstill Budget
- Section 8: Savings Proposals
- Section 9: Investment Pressures
- Section 10: Medium Term Financial Plan
- Section 11: Capital Programme

2. POLICING PLAN, PERFORMANCE CONTEXT AND FINANCIAL BASELINE

- 2.1 2013/14 is the first full year under the new governance arrangements that saw the election of Hertfordshire's first Police and Crime Commissioner on 15 November 2012. Under Section 26 of the Police Reform and Social Responsibility Act 2011, the Commissioner is established as a precepting authority for the purpose of the Local Government Finance Act 1992. The Commissioner is required to propose a precept to the Police and Crime Panel by the 31st January, the Panel can veto once, forcing the Commissioner to set either a lower or higher precept. The precept must be set by 1st March. The Commissioner met these responsibilities by proposing a precept on the 17th January which was subsequently agreed, without change, by the PCP on the 24th January.
- 2.2 The Commissioner has a wider role than policing including community safety and crime prevention. In 2013/14 the Commissioner will receive Community Safety Fund grant (section 3.5) to support his wider commissioning role. The commissioner may also utilise core settlement grant and precept income.
- 2.3 The Commissioner and Chief Constable are committed to maintaining strong performance in reducing crime and have adopted a consistent approach over the past few years by developing effective crime reduction strategies, which have resulted in steady reductions in crime levels.
- 2.4 Since 2008, there have been significant reductions in most crime types. Burglary dwelling has fallen by 40%, (1,300 less victims). Theft from motor vehicle has fallen by 44% (2,179 fewer offences). In relation to violent crime, we have had a 41% reduction in personal robberies and a 12% reduction in assault with injury. Criminal damage to motor vehicles was one of our highest volume crime types, but since 2008 we have seen a 41% decrease (1,938 fewer crimes).
- 2.5 In March 2009 recorded crime was just under 69,000. In 2011/12 there were 62,251 recorded offences, a 6.3% reduction on the previous year, equating to 4,190 fewer offences. In the current performance year as of 12th December 2012, there has been a year on year decrease of 15%, which equates to 6,756 fewer offences.
- 2.6 During the current performance year:
- 2012/13 is the highest detection rate on record at 39.4% with an increase of 4% on the same period last year
 - Anti-social behaviour has reduced by 28.1%, (10,133 less incidents).
 - Burglary dwelling has dropped by 10.1% (230 less crimes).
 - Theft from motor vehicle has fallen by 22.9% (1,092 less offences).
 - Violent crime has seen a 9.6% reduction (828 less offences)
 - Criminal Damage, one of the highest volume crimes types, has seen a 19.2%% decrease (1,490 less crimes).
 - Theft other has also seen a significant decrease of 19.1% (905 less crimes)

- Burglary Other has fallen by 29.2% (823 less crimes)
- Personal robbery has fallen by 26% (106 less crimes).
- Domestic violence offences have also reduced by 4.5% (119 less crimes)
- Theft from shop has reduced by 14.2% (597 less crimes)
- The current year's reduction in total crime is a continuation of falling levels over several years, with the Constabulary's MSF position improving from 4th in 2008/09 to our current 1st position.

2.7 The Commissioner has signalled there will be significant continuity with regard to policing priorities, as well as highlighting areas for change and development. His first Police and Crime Plan is structured around 4 pillars:

- Building on the record of successful delivery by the constabulary
- Putting the public first
- Making sure offenders pays for the costs they create
- Introducing more business sense in policing and crime

Under the first theme, the Commissioner has agreed priorities and measures with the Chief Constable focusing on:

- Delivering effective local policing that ensures public satisfaction
- Bringing offenders to justice
- Helping to tackle the misuse of drugs and alcohol
- Protecting the public and especially the most vulnerable
- Meeting the statutory Strategic Policing Requirement (Terrorism; Organised Crime; Public order; Civil Emergencies; Cyber Crime)

2.8 The Police and Crime Plan priorities are integrated into a challenging funding environment. SR 2010 set out a 20% real terms reduction in grant funding for the Police service for the 2011/12 – 2014/15. This has been added to by further austerity measures including the additional 2% cut in the Home Office's department budget for 2014/15 announced in the Chancellor's Autumn Statement.

2.9 To meet this challenge, £21.135m of savings have been achieved in the first two years of SR 2010, including functional reviews (£8.619m), non-pay (£5.004m) collaboration (£4.298m) and Overtime and Terms & Conditions (£3.214m).

2.10 The 2012/13 net budget represents a financial baseline of £184.380m net expenditure (£202.789m gross). Table 2 below sets out a high level summary of the net budget.

Table 2 - 2012/13 Budget Summary

	2012/13 Original Gross Budget £'m	2012/13 Original Net Budget £'m
Territorial Policing	96.141	87.398
Crime & Operational Support and Joint Protective Services	55.651	51.947
Corporate Services	15.114	14.788
Support Services	20.551	19.875
Herts Corporate Budgets	14.332	11.292
TOTAL CONSTABULARY	201.789	185.300
Transfer from Reserves	-	-1.920
Police Authority / Office Of The Police And Crime Commissioner	1.000	1.000
TOTAL REVENUE BUDGET	202.789	184.380

- 2.11 In the current year the Constabulary has been able to deliver savings ahead of schedule, partly due to the on-going police staff recruitment freeze, leading to a projected underspend of £4.400m. This early achievement of savings places the Commissioner in a strong position to achieve the required savings for the 2013/14 budget.

3 FUNDING SETTLEMENT AND PARTNER FUNDING

- 3.1 The final settlement has now been received and there are no changes from the provisional figures in the previous report to PCP other than a £0.001m reduction in the level of Council Tax Support grant. Table 3 below summarises the grant funding for the Commissioner next year, setting out a loss of £3.899m for 2013/14 in the underlying level of grant funding. In cash terms, this is offset by the introduction of £6.522m of the new Council Tax Support Grant (section 3.2) which is a substitute payment replacing precept income forgone, £0.060m of Council Tax Support Transition Grant (section 4.6) and the £0.673m 2013/14 Council Tax Freeze Grant, giving an actual net increase in grant of £3.356m.

Table 3 – Summary of Grant Changes

	2012/13 £'m	2013/14 £'m	Change £'m
Formula Funding Allocation (PFG, NNDR, RSG)	115.689	119.095	3.406
Neighbourhood Policing Fund	5.300	-	-5.300
2011/12 Council Tax Freeze Scheme	1.660	1.660	0.000
2012/13 Council Tax Freeze Scheme	2.005	-	-2.005
Total	124.654	120.755	-3.899
Local Council Tax Support Grant*			6.522
Local Council Tax Support Transition Grant			0.060
2013/14 Council Tax Freeze Scheme			0.673
Net Grant Increase			3.356

* Compensation payment for loss of precept income due to introduction of local support for council tax.

- 3.2 The figures in Table 3 reflect:
- 1) The final settlement figures announced on the 4th February 2013. However at the time of writing the report, the Commons debate and motion to approve the 2013/14 Local Government Finance Report and the Police Grant Report is scheduled for Wednesday 13th February. Therefore should this result in any changes, an update will be provided at the meeting.
 - 2) The inclusion of Neighbourhood Policing Fund (NPF), totalling £5.300m, within general police grant, along with the removal of the requirement to maintain PCSO numbers at an average of 252. Settlement figures show the redistribution of NPF has a relatively positive impact on Hertfordshire's funding position.

- 3) Entitlement to £6.522m of Council Tax Support grant, representing 90% of the cost of the previous national scheme. The Commissioner will bear the risk of their share (approx. 10%) of any decrease in collection rates and variations in scheme costs. This risk has been factored into the minimum prudent level of reserves calculation in Section 5.
- 4) A third Council Tax Freeze grant was announced by the Chancellor in October 2012, equivalent to a 1% increase in council tax and payable for the next two years. It is anticipated the grant will be £0.673m per annum.

Partner Funding

- 3.3 In 2012/13 the Commissioner received partner funding in the region of £1.963m. Of this, £1.459m was received from partners towards the cost of PCSOs, the largest contribution being £0.600m from Hertfordshire County Council. Partner contributions are ring fenced to fund expenditure relating to the specific area for which they were received.
- 3.4 In 2012/13, funding enabled a PCSO establishment of 252 FTE to be maintained. Confirmed reductions in PCSO partner funding of £0.057m have been included within the 2013/14 budget. In addition Hertfordshire County Council is proposing to remove the £0.600m of funding for PCSOs in its 2013/14 budget, and this is reflected within the standstill budget under Changes to External Grants / Third Party Funding. In anticipation of this, it is proposed that the resultant gap will be met from drawing on £0.300m of specific reserves, and the introduction of a vacancy factor for PCSOs of 3.8% to reflect natural turnover in the PCSO establishment thereby reducing spend by £0.300m (as reflected in Section 8 – Savings Proposals). Alongside these changes in PCSO resourcing, the Constabulary is proposing to strengthen police officer numbers within the Safer Neighbourhood Teams, as set out in Section 9, by investment of 6 officer posts. In addition the Chief Constable has recently concluded a review of police officer deployment in Neighbourhood Policing Teams and will shortly be sharing with stakeholders plans which are aimed at ensuring stronger leadership of teams and securing greater productivity. Following on from this the Chief Constable will be working with the Commissioner to review PCSO resources and deployment in line with the plans for officer deployment and the reduction in partner funding.
- 3.5 From 2013/14, the Commissioner takes on the responsibility for funding Stronger, Safer Community activity, with the receipt of the new Community Safety Fund (CSF) grant of £0.837m, (see section 6.2). The government has signposted this grant will be incorporated into general police grant from 2014/15. Hertfordshire's 2013/14 allocation is relatively low compared to neighbouring forces, as both Bedfordshire and Cambridgeshire will receive greater cash amounts in 2013/14.

4. COUNCIL TAX

- 4.1 Hertfordshire's 2012/13 Band D Council Tax is £147.82 (or £2.84 per week).
- 4.2 As set out in his election statement, the Commissioner proposed to freeze council tax and set a Band D rate of £147.82 in 2013/14 and therefore take the 2013/14 council tax freeze grant (Section 3.2), estimated to be worth £0.673m per annum, for the next two years. The Commissioner's proposal was agreed by the PCP on 24th January. The resulting council tax band bands and district precepts are set-out in Appendix A.
- 4.3 Looking forward, our MTFP projections for 2014/15 onwards assume no annual increase in the Band D council tax rate. This will be reviewed by the Commissioner as part of the 2014/15 budget setting process.
- 4.4 Final tax base and collection fund figures have now been received from each of the ten district councils. Overall income generated from council tax has decreased by £5.941m in 2013/14 predominantly due to the introduction of local support for council tax resulting in a decrease in the Commissioner's tax base. This is an improved position than was reported to PCP on the 24th January, giving an additional £0.582m of council tax income in 2013/14, due to a lower than expected decrease in tax base of 8.9%. The loss in council tax income is offset by the new Council Tax Support Grant (Section 3.2).
- 4.5 The previous report to PCP proposed to vary use of reserves to reflect any changes in council tax income resulting from the final tax base and collection fund data. The proposed use of the Medium Term Change Management reserve has therefore been reduced by £0.582m to reflect the additional income in section 4.4.
- 4.6 In addition four district councils are proposing to apply for Council Tax Support Transitional Grant. This is one-off funding that is available to ease the impact of the move to local schemes. The Commissioner will receive a share of this grant, estimated at £0.060m, which has been built into our financial plans, thereby further reducing the call on reserves. In the event that this figure differs from the final grant due, there will be an offsetting adjustment made to the use of reserves.
- 4.7 As set out in the January report to PCP, the government set a general council tax referendum trigger of 2% for 2013/14. However, for those forces in the bottom quartile of Band D Council Tax, of which Hertfordshire was one, a more lenient trigger was set, requiring a breach of both a 2% and £5 cash increase. Taking into account the finalised tax base this would have allowed Hertfordshire to increase its Band D by Council Tax 3.3% or £2.010m before a referendum was required.

5 RESERVES AND ROBUSTNESS OF THE BUDGET ESTIMATES

5.1 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, the issues of risk and the robustness of budget estimates.

5.2 With regard to the review of reserves the outcomes are set out below, with further detail shown in Appendix B.

- The expected level of all reserves as at 31 March 2013 will be £26.483m, including £5.930m of general reserves.
- The overall level of reserves has continued to increase over the last three years. This has significantly strengthened the overall financial position and allows the Commissioner to plan to make a limited draw on reserves to support the budget over the medium term.
- The Commissioner should plan on the assumption of the need to retain £5.630m (3.1% of the 2012/13 net budget) as a minimum prudent balance in general reserves for the 2013/14 financial year (See Appendix B).
- That £2.000m of the Medium Term Change Management Reserve be ring fenced to meet additional redundancy costs over and above the Redundancy Provision.
- The balance of the general reserve above the prudent minimum level as 31st March 2013, plus agreed carry forwards, be transferred into the Medium Term Change Management Reserve.
- That £0.788m of Medium Term Change Management Reserve be applied to support the budget in 2013/14, including funding the DriveSafe initiative.
- That £1.500m per annum be applied for each of the following three years, starting 2014/15, from the Medium Term Change Management Reserve to support the budget.
- That the £0.500m Police and Crime Commissioner Transitional specific reserve will be used to meet one-off requirements of the Commissioner, including the proposed use of £0.250m to fund the Commissioner's Fund.
- That £0.300m of specific reserves is earmarked to support PCSO costs during 2013/14 (section 3.4).
- That £0.100m of the Drugs Fund is applied to support the capital programme. (section 11)

5.3 Table 4 below sets out the estimated resultant level of reserves.

Table 4 - Estimated Level of Reserves

	Estimated Balance 31st March 2013 £'m	Estimated Balance 31st March 2014 £'m
General Reserves*	5.930	5.930
Specific Reserves	20.553	19.115
Total	26.483	25.045

* Includes indicative carry forward of £0.300m

5.4 Risk management is a key consideration for the PCC 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 for review. It is intended that the Chief Constable's risk register is combined with the PCC risk register to facilitate an overall approach to risk management. The main risks that may impact upon the delivery of the 2013/14 budget are:

- Delivering the planned level of savings. However, it should be noted that approximately 80% of the proposed budget savings are either completed (as part of previous year's savings) or currently being implemented.
- Achieving the required outcomes from collaboration with other forces, and specifically the dependence on collaboration for achieving savings. However, the ability to draw on the increased level of reserves 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.

5.5 With regard to the robustness of the budget estimates, the budget proposals have been through a rigorous process of assessment by officers, with, 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, significant progress has already been achieved in implementing the savings and controls will be maintained on overall numbers of officer and staff meaning that spending levels will be contained overall. As in previous years identified savings will be removed from budgets prior to allocation at the start of the financial year.

6 POLICE AND CRIME COMMISSIONER BUDGET

- 6.1 The budget for the Office of the Police and Crime Commissioner will be set at £1.000m, representing a cash freeze on the 2012/13 budget.
- 6.2 As set-out in section 3.5, the Commissioner will receive Community Safety Fund Grant of £0.837m in 2013/14. This is a transitional year as the government has signposted that the grant will be incorporated into general police grant from 2014/15. The grant represents a reduced consolidation of both the previous Community Safety Grant provided to the County Council (£0.502m in 2012/13) and a range of Home Office crime and drugs funding, including Drugs Intervention Programme funding of £0.250m and Youth Crime and Substance Misuse Funding of £0.138m. Whilst not directly received by the Constabulary, elements of Community Safety Grant and Drugs Intervention Programme funding support areas of the work of the County Community Safety Unit, a joint HCC and Constabulary unit. The Commissioner proposes to use Community Safety Fund Grant to provide support to those areas set out above, pro rata to 2012/13 allocations, but reduced by 6.5% to reflect the decreased funding.
- 6.3 It is proposed that a Commissioner's Fund of £0.250m be established. The purpose of the fund will be to support local projects that contribute to the aims of the Commissioner's Police and Crime Plan. It is intended that interested parties will be able to submit bids to the Commissioner that will be assessed against a set of defined criteria. It will be funded from the Commissioner's specific reserve. In addition the Commissioner has set out in his Police and Crime Plan that he intends to promote the DriveSafe initiative which is aimed at helping communities tackle dangerous driving and that he will earmark £0.100m for this purpose.
- 6.4 Moving forward, the Commissioner 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 our partners in promoting wider crime reduction strategies.

7. STANDSTILL BUDGET

7.1 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 £4.334m (2.4%) in 2013/14 (1.0% relating to removing reliance on Reserves) and £22.968m up to 2016/17. The detailed yearly movement in the standstill budget is set out in the following table.

Table 5 – 2013/14 to 2016/17 Increased Standstill Costs

	2013/14 £'m	2014/15 £'m	2015/16 £'m	2016/17 £'m
Unavoidable Pressures:				
Pay Awards incl. Overtime:				
Police Officers	0.615	0.974	1.561	1.999
Police Staff	0.409	0.619	0.991	1.269
Police Officer Pay & Allowances	0.200	0.500	0.500	0.500
Police Staff Increments	0.200	0.300	0.300	0.300
Police Officer Overtime	-0.083	-	-	-
Winsor Review	-0.570	-0.190	-0.160	-0.134
Sub-Total: Staff and Officer Costs	0.771	2.203	3.192	3.934
Local Government Pension Scheme	0.638	-	-	-
Non Pay - Inflationary Cost Pressures	1.548	1.414	1.272	1.301
Redundancy Costs	-0.700	-	-	-
Impact of Changes to External Grants / Third Party Funding	1.407	0.100	0.300	0.280
Sub-Total: Unavoidable Pressures	3.664	3.717	4.764	5.515
Previous Decisions:				
Interest on Balances / Capital Financing	-1.500	-0.100	-	-
Revenue Effects of Capital	0.250	0.250	0.250	0.250
Remove Reliance on Reserves	1.920	0.988	1.500	1.500
Sub Total: Previous Decisions	4.334	4.855	6.514	7.265
% Standstill Budget Increase	2.4%	2.6%	3.4%	3.6%

7.2 Relative to previous years, standstill pressures have been minimised by the implementation of the government's public sector pay restraints, the building up of reserves enabling redundancy costs to be funded from the Change Management Reserve and the significant reduction in Capital financing costs arising from the prudent repayment of external debt and reduction of the Capital Financing Requirement. Spending pressures are projected to increase

in subsequent years, predominantly due to pay inflation of 1% in 2013/14 and 2014/15 and 2% thereafter.

8. SAVINGS PROPOSALS

- 8.1 The saving programme is continuously reviewed during each financial year, with new savings areas incorporated into the plan as they are developed. This approach provides flexibility either to address shortfalls in individual programmes or to generate additional savings above those required when setting the budget, enabling the generation of revenue reserves and guaranteed savings, including full year effects, for the coming year.
- 8.2 Set-out in Table 6 is an overview of the Constabulary's savings proposals. The table shows that a well-defined savings programme exists for 2013/14, equalling next year's funding gap, with a significant reliance on Herts internal savings, which account for just under three quarters of savings in that year.

Table 6 – Proposed Savings Programme

	2013/14	2014/15	2015/16 to 2016/17	TOTAL
	£'m	£'m	£'m	£'m
Hertfordshire Internal				
• Full year effect of 2012/13 savings programme	1.003	-	-	1.003
• Organisational Support	0.895	0.577	-	1.472
• Non Pay Budget Review	0.250	0.250	-	0.500
• Programme reviews	1.505	1.580	-	3.085
• Terms and Conditions	0.168	0.340	-	0.508
Total Hertfordshire Internal	3.821	2.747	-	6.568
Collaborative Units				
• Existing Units	0.861	0.054	-	0.915
• Further Collaboration	1.012	5.410	2.130	8.552
Total Collaboration	1.873	5.464	2.130	9.467
SUB TOTAL	5.694	8.211	2.130	16.035
Removal of Specific Grant & Partner funded capacity (mainly Olympics and PCSOs)	1.107	0.400	0.580	2.087
TOTAL	6.801	8.611	2.710	18.122

- 8.3 Table 6 also shows the proposed approach to delivering savings in 2014/15, where there is a much stronger emphasis on collaboration, with savings from both existing and further collaboration accounting for around 63% of the total savings. There will be a requirement to drive out savings drawing on the work

undertaken from i) the Operational Support review through realising the benefits of investment in operational support IT systems such as STORM and Athena and ii) the Organisational Support review following the decision not to proceed with the Lincolnshire/G4S outsourcing contract.

8.4 Whilst the high-level savings programme in 2014/15 addresses a significant proportion of that year's gap, it is also important to recognise the high dependency on the collaborative Strategic Alliance (Bedfordshire, Cambridgeshire and Hertfordshire) change programmes and in the event that these collaborative savings take longer to achieve the need to take forward greater Hertfordshire internal savings.

8.5 The key themes to the 2013/14 savings programme are:

(i) A strong emphasis on achieving savings in non-operational areas, which provide savings totalling £1.970m (30% of the 2013/14 savings programme). These include:

- Back office savings total £1.202m and include the full year effect of 2012/13 savings, £0.292m (including temporary posts in corporate services and officer posts in HR) and a further £0.910m of 2013/14 savings within Organisational Support in such areas as Corporate Services, HR, Estates, RMU and Finance.
- Non pay savings total £0.600m including £0.350m relating to ICT within the existing collaboration heading.
- Reduced fringe allowance for police staff totalling £0.168m

(ii) Programme Reviews -These total £2.201m and include the full year effects of savings initiated in 2012/13 such as the Intelligence Review and new areas of review within the Herts Internal Programme:

- **Crime Investigation** (£0.357m) - With the back drop of reduced crime, high performance delivery and a relatively high positioning in the HMIC VfM benchmarking data, it is proposed to reduce non-warranted police staff investigator posts in a phased manner starting in 2013/14.
- **Intelligence Review** (£1.043m) savings include the full year effect of the restructuring of levels 1 and 2 intelligence functions, including further additional savings within LPC intelligence units including source management posts.
- **Force Control Room** (£0.552m) - A 4 year programme of efficiencies within the Force Control Room is on target to deliver £0.550m savings in 2012/13 and a further £0.552m of targeted savings for 2013/14.
- **Other Departmental Reviews** (£0.249m) include reductions arising from the robust control framework used to manage vacant posts (£0.120m), together with focussed reviews across HQ departments.

(iii) Savings will continue to be realised from collaborated units:

- **Existing Collaborated Units** This includes ICT non pay efficiencies in the region of £0.350m referred to in 7.4(i) above. And a further £0.511m resulting from year 2 savings within the three force Scientific Services, the Professional Standards Unit and regional units.
- **Further Collaborated Units** Consisting of £0.454m from the collaboration programme from extending the remaining Beds and Herts Protective Services (Roads Policing and Dogs) to Cambridgeshire and £0.558m from Operational support including Camera Partnerships and Central Ticket Office (traffic prosecutions) due for implementation in 2013.

9 INVESTMENT PRESSURES

9.1 The Chief Constable has identified a range of investment areas in 2013/14 that will support the Police and Crime Plan. These total £0.955m and are set-out below:

- Safer Neighbourhood Teams - £0.270m, 6 FTE. An increased total of 6 police constable posts within SNTs across the county, matched to meet emerging demand pressures.
- Cyber Crime – Open Source Intell Unit/Covert Investigation - £0.045m, 1 FTE. The development of a dedicated specialist intelligence capability focussed on exploiting intelligence and investigative opportunities from information held in the Open Source / Cyber environment.
- GPS Locational Monitoring (Buddy) - £0.060m. The Constabulary uses locational monitoring in tackling serious offenders and aims to operate 100 devices costing £0.120m per annum by 2014/15. For 2013/14 it is expected that up to 50 devices can be funded through licenses purchased in 2012/13, with investment of £60k being required to fund the remaining licenses. To establish base budget provision of £0.120m, a further investment of £0.060m will be required in 2014/15.
- Drugs Intervention - £0.040m. Funding required to establish an 18 month pilot to develop drug testing on arrest. The aim is to reduce crime by reducing demand for drugs through early identification of illegal drug users who will benefit from treatment and diversion from drug use by targeting and testing offenders arrested where appropriate (eg. prolific offenders arrested for acquisitive crime, and the Integrated Offender Management Programme).
- Operation Dyad – Cross Border - £0.450m, 10 FTE. To enable intelligence led dedicated mobile resources to intercept and apprehend cross border criminals by forming a dedicated DYAD MSU, making it possible to run at least one team at any one time.
- Operation Man Hunt Conspiracy Offences - £0.045m, 1 FTE. To perform reactive support to investigations and also lead and develop conspiracy charges across other forces, identifying offenders who have come into Hertfordshire to commit conspiracy offences and target the most vulnerable.
- Virtual Courts - £0.045m, 1 FTE. Virtual courts have been running as a trial in Watford since February this year and this has proven effective in both cost savings and speeding up the judicial process. It is now intended to widen the case types that are dealt with in this way. This funding would enable the current temporary virtual court police officer post to be made permanent.

- 9.2 Of the £0.955m pressure, £0.085m of funding has been identified through workforce planning decisions during 2012/13, leaving a net £0.870m funding requirement.

Staffing Impact

- 9.3 The projected impact of the saving proposals on officer numbers in 2013/14 is a gross reduction in the funding of 60 officer posts, against the 2012/13 force funded officer establishment of 1,960. With regard to police staff the 2013/14 budget savings include the reduction of 76 posts, against the 2012/13 force funded staff establishment of 1,838.
- 9.4 The investment requirement set out in section 9.1 results in an additional 19 police officer posts focused on operational roles, and budgeted average police officer numbers of 1,917 for 2013/14. Overall it is projected that in the forthcoming year there will be an increase in both the proportion of police officers undertaking operational/frontline roles and the actual level of operational / frontline officers.

10 MEDIUM TERM FINANCIAL PLAN (MTFP)

- 10.1 This section builds the standstill, funding and investment assumptions set out in the sections above into the Medium Term Financial Plan. Table 7 below sets out the Commissioner's MTFP for the next four years based upon a continued council tax freeze. Use of reserves over than to support the 2012/13 budget have been excluded from the increased standstill costs shown in line one of the table, thereby highlighting the budget gap that would arise should no further reserves be used to support budget in future years.

Table 7 - Budget Summary 2013/14 to 2016/17

	2013/14 £'m	2014/15 £'m	2015/16 £'m	2016/17 £'m	TOTAL £'m
Increased Standstill Costs (excluding new use of reserves)	4.334	3.867	5.014	5.765	18.980
Re-Investment	1.220	0.750	0.750	0.750	3.470
Grant Reduction	-3.356	5.133	7.155	4.092	13.024
Council Tax	5.941	-0.195	-0.214	-0.215	5.317
Budget Gap – Excluding Use of Reserves	8.139	9.555	12.705	10.392	40.791
New Use of Reserves	-1.338	-1.500	-1.500	-1.500	-5.838
Standstill Pressure – Remove New Use of Reserves	-	0.988	1.500	1.500	3.988
Budget Gap (£38.9m)	6.801	9.043	12.705	10.392	38.941

11. CAPITAL PROGRAMME

- 11.1 Table 8 below shows a high level overview of the capital programme for 2013/14 to 2016/17, further detail is set out in Appendix C. The increased level of capital receipts held by the Commissioner, estimated at £14.737m as at 31st March 2013, enables a capital funding strategy that can address variations in the proposed programme with limited impact upon the revenue budget.
- 11.2 Following significant investment in the estate over the past decade, the emphasis of the Estates Programme is on site disposal including working with partner organisations to rationalise the estate and expenditure on maintenance. A provision for a small level of enabling expenditure has been included to ensure the estate meets future operational needs.
- 11.3 With regard to ICT, there is a high level of regional and Bedfordshire, Cambridgeshire and Hertfordshire collaborative initiatives on our core policing systems and infrastructure, which are designed to support operation policing and drive out further efficiencies.
- 11.4 Alongside the four year fleet reduction programme, the focus of fleet capital expenditure is on maintaining investment in the fleet replacement programme.


Table 8: Proposed Capital Programme 2013/14 - 2016/17

Planned Expenditure	2013/14 £'m	2014/15 £'m	2015/16 £'m	2016/17 £'m	Total £'m
Estate Programme	1.355	0.800	0.750	0.850	3.755
IS Strategy And ICT Investment	3.410	3.815	3.829	1.750	12.804
Fleet	1.322	1.299	1.302	1.313	5.236
Technical And Specialist Equipment	0.487	0.355	0.345	0.345	1.532
Collaboration	0.150	0.150	0.150	0.150	0.600
Total Capital Programme	6.724	6.419	6.376	4.408	23.927
Funded By:					
Capital Grant	1.380	1.430	1.430	1.430	5.670
Use Of Drugs Fund	0.100	-	-	-	0.100
Use Of Capital Receipts	5.244	4.989	4.946	2.978	18.157


Total Capital Funding	6.724	6.419	6.376	4.408	23.927
------------------------------	--------------	--------------	--------------	--------------	---------------

The impact of the above figures on capital financing and revenue effects of capital has been built within the revenue budget. The capital programme will be considered by the Commissioner, along with the Prudential Indicators at the 19th February SEB meeting.

Authors: Mike Jarvis
Head of Finance

 01707 354241

Authors: James Hurley
Director of Resources

 01707 354504

APPENDIX A**2013/14 Council Tax for Police and Crime Commissioner Purposes**

A	£40,000 or less	£98.55
B	£40,001 to £52,000	£114.97
C	£52,001 to £68,000	£131.40
D	£68,001 to £88,000	£147.82
E	£88,001 to £120,000	£180.67
F	£120,001 to £160,000	£213.52
G	£160,001 to £320,000	£246.37
H	£320,001 or greater	£295.64

Precept Amount Required From the District Councils

	£
Borough of Broxbourne	4,867,845.64
Dacorum Borough Council	7,871,740.20
East Hertfordshire District Council	8,142,516.88
Hertsmere Borough Council	5,587,743.82
North Hertfordshire District Council	6,903,918.32
St Albans District Council	8,668,460.44
Stevenage Borough Council	3,632,434.08
Three Rivers District Council	5,326,817.87
Watford Borough Council	4,348,635.28
Welwyn Hatfield District Council	5,561,431.86
Total Precept	60,911,544.39

APPENDIX B**RESERVES****Adequacy of Reserves**

The Chief Financial Officer considers that a level of general reserves of £5.630m (3.1% of 2012/13 budget) would be adequate for the 2013/14 financial year. In coming to this view on the adequacy of reserves, the 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 relate to budgetary control and the achievement of the savings programme including collaborative savings, major incidents and investigations, volatility in precept income arising from the move to localised support of council tax, business continuity and the risk of delay in the generation of capital receipts.

The figure of £5.630m (see Section 5.2) is a decrease of £0.380m on last year and reflects reduced operational risk on 2012/13 a year which included policing the Olympics and other high profile events including the Queen's Diamond Jubilee and Euro 2012.

Specific Reserves

A review of the number and adequacy of specific reserves has been carried out and the Chief Finance Officer confirms that these reserves, as projected, continue to be required and are adequate for the purposes specified below.

Proposed Level Of Specific Reserves

	Estimated Balance 31st March 2013 £'m	Estimated Balance 31st March 2014 £'m
Medium Term Change Management Reserve (post transfers)	17.014	16.226
Police And Crime Commissioner Transitional Reserve	0.500	0.250
Insurance Fund	0.423	0.423
Ill Health Early Retirement	0.100	0.100
Estates Rationalisation Reserve	0.128	0.128
Police Property Act Fund (resolved)	0.065	0.065
Force Drugs Fund	0.641	0.541
Unconditional Funding Reserve	1.682	1.382
Total	20.553	19.115

APPENDIX C

CAPITAL PROGRAMME

1 Introduction

1.1 As set out in Section 11, Table 8, the proposed capital programme totals £23.927m over the next four years, including £6.724m in 2013/14.

1.2 The capital programme incorporates:

- On-going capital commitments entered into prior to and during the 2012/13 programme, such as Athena and STORM.
- New areas of potential capital investment, such as Scientific Services Units.
- Emerging strategic developments, such as the Estates Strategy and ICT Wi-Fi Hot Spots.

1.3 The key elements of the programme are set-out below.

2 Programme Components 2013/14

2.1 Estate Programme - £1.355m

2.1.1 Following significant investment in the estate over the past decade, the emphasis of the Estates Programme has in recent years been on site disposal including working with partner organisations to rationalise the estate and expenditure on maintenance. As the operational demands on the force change and headquarters refurbishment requirements develop there is also a need to fund a small level of enabling expenditure to ensure the estate meets future needs. The outcome of this work would then be reflected in the 2014/15 capital programme.

Table 1: Estate Programme

Planned Expenditure	2013/14 £'m	2014/15 £'m	2015/16 £'m	2016/17 £'m	Total £'m
Estate Support Costs	0.950	0.350	0.350	0.450	2.100
Minor Works	0.405	0.450	0.400	0.400	1.655
Total	1.355	0.800	0.750	0.850	3.755

2.1.2 Areas of investment in 2013/14 include costs to prepare for relocation from St Albans, provision for further accommodation sharing and relocation and expenditure on a review of the estate to achieve longer-term savings, greater energy efficiency and sustainability and to ensure it meets future requirements. The review will assess the operational demands in the west of the county and the long-term requirements for the HQ site.

2.1.3 Sharing accommodation with partners has helped reduce both revenue expenditure, through savings in running costs and capital expenditure, through reductions in planned minor works. This approach will be applied where it complements operational estate requirements. Planned developments in 2013/14 include: freeing up St Albans

Police station for disposal by relocating staff to St Albans District Council Civic Centre and opportunities to share sites with the Fire and Rescue Service (£0.300m).

2.1.4 Planned minor works for 2013/14 include a schedule of energy and sustainability improvements (£0.115m), replacement of boilers and energy controls (£0.100m), voltage optimisation to reduce energy use, following successful trials at Watford (£0.050m), and other work to include air conditioning, electrical systems, restroom refurbishment, and generator replacements (£0.140m).

2.2 Information Communications Technology (ICT) Investment Programme - £3.410m

2.2.1 The IS Strategy seeks to balance investment costs with benefits from improving core infrastructure and systems within Hertfordshire and as part of an integrated approach across the Strategic Policing Alliance (SPA). This includes recognising new technology trends and providing investment to ensure that the force's infrastructure is suitable for operational needs.

2.2.2 The key themes that have been considered when setting the IS Strategy for 2013/14 and beyond are.

- Increasing financial constraints faced by the SPA mean there is a need for a consolidated approach to processes and procedures within the ICT environment. There is a greater need for relevant and timely information to ensure best use of resources, including the leveraging of legacy investment within ICT.
- The provision of an integrated ICT platform across the SPA allows ICT to become a key enabler in improving services to the public through innovation, cost effectiveness, and smarter ways of working.
- An integrated environment also helps ensure that information is more freely accessible across the SPA, allowing a closer alignment of operational and back office collaboration.

2.2.3 The ICT capital programme has been developed to both meet the systems, communications and infrastructural needs of Hertfordshire, and also to integrate across the SPA and where appropriate, the wider region. The ICT programme is set out in Table 3 below:

Table 2: ICT Investment Programme

Planned Expenditure	2013/14 £'m	2014/15 £'m	2015/16 £'m	2016/17 £'m	Total £'m
Information Systems	1.533	2.130	2.509	0.680	6.852
Infrastructure	1.075	1.240	0.850	0.600	3.765
Communications / Airwave	0.742	0.385	0.410	0.410	1.947
ANPR	0.060	0.060	0.060	0.060	0.240
Total	3.410	3.815	3.829	1.750	12.804

2.2.4 ICT information systems includes:

- Continued investment in a range of on-going projects including:

- Athena, an integrated application to support crime, custody, case preparation and intelligence functions, and is being progressed in collaboration with the Eastern Region, Kent, City of London and other forces. (£0.195m).
 - Mobile Data Systems, Phase 1 rollout of vehicle mounted mobile data terminals and trialling iPhone and other handheld mobile devices of (£0.110m) and
 - Command And Control (£0.100m) delivering a common solution across the three forces to support any future changes in the Contact Management Strategy.
- Investment at a national level in the HOLMES 3 system which will be adopted as a tri-force solution (£0.300m).
 - Investment to enable better working with our Strategic Alliance Partners including:
 - Investment in Digital Evidence / Interview Recording (£0.300m) to implement a digital evidence repository.
 - Datawarehouse And MOPI / PND (£0.165m) providing a tri-force data repository to hold data from legacy applications has arisen from Athena.
 - Planned investment of £0.100m to increase effective use of the website, on-line reporting and currency of information Online Services (£0.100m)
 - Other Projects (£0.263m) - Other work includes small system developments, the on-going criminal justice modernisation programme, Microsoft Dynamics software, facial recognition software and replacement of the existing internet and intranet sites.

ICT Infrastructure

2.2.5 Investment in ICT infrastructure is an on-going requirement to maintain the effectiveness of the Constabulary's systems as well as enabling their future development. The Constabulary is investing £1.075m in 2013/14. The main areas include investment in: Microsoft Enterprise Agreement , desktop software, , PC replacement programme , platform development network servers , the printer improvement programme and database development. To comply with the three force mobile strategy and maximise the benefit offered by mobile working, £0.100m will be invested to provide Wi-Fi services through strategically placed "hotspots" at key stations.

ICT Communications (Including Airwave)

2.2.6 Communications investment of £0.742m includes development or replacement of the Integrated Command and Control System totalling £0.577m and a further £0.165m in other areas including Automatic Call Distribution development, IPT telephony systems, a partial refresh of vehicle based Airwave equipment, and other small developments

Automatic Number Plate Recognition (ANPR)

2.2.7 ANPR (£0.060m) – To fund the purchase and installation of up to a further 6 cameras, together with fleet upgrades and replacements as needed.

2.3 Fleet - £1.322m

- 2.3.1 The force currently maintains a target fleet of 578 vehicles. The medium-term fleet programme ensures that the mix of high-cost and standard vehicles replaced each year gives a smooth financial profile. The capital programme in Table 3 reflects the impact of the planned replacement programme (rolling and based on vehicle age, condition, and mileage), as well as savings through reducing vehicle numbers (to 502 vehicles by March 2015), economies of scale through membership of Chiltern Transport Consortium, and the adoption of industry best practice.

Table 3: Fleet Replacement Programme

Planned Expenditure	2013/14 £'m	2014/15 £'m	2015/16 £'m	2016/17 £'m	Total £'m
Fleet Replacement	1.322	1.299	1.302	1.313	5.236

2.4 Technical and Specialist Equipment - £0.487m

- 2.4.1 A budget is made each year for the planned replacement of specialist equipment and to meet emerging equipment needs.

Table 4: Planned Technical and Specialist Equipment Programme

Planned Expenditure	2013/14 £'m	2014/15 £'m	2015/16 £'m	2016/17 £'m	Total £'m
Technical Equipment	0.287	0.355	0.345	0.345	1.332
Capital Challenge Fund	0.200	-	-	-	0.200
Total	0.487	0.355	0.345	0.345	1.532

- 2.4.2 Technical Equipment (£0.287m) – Investment in technical equipment includes £0.105m within the Technical Support Unit to provide opportunities to exploit new technological advances to aid the fight against crime. One-off funding of £0.107m, representing Hertfordshire share of a three force investment, within the Scientific Services Unit, for the purchase of replacement scientific equipment. And an allowance of £0.075m to provide for other specialist equipment needs arising in 2013/14.
- 2.4.4 Capital Challenge Fund (£0.200m). To meet the costs of lower level capital requirements within operational departments and the Local Policing Command, it is proposed to establish a Capital Challenge Fund for 2013/14 partly funded from recovered assets held in the Drugs Fund Specific Reserve.

2.5 Collaboration - £0.150m

- 2.5.1 A provision is included for future collaborative working with Bedfordshire, Cambridgeshire, and other forces. This will include accommodation costs as well as vehicles and other specialist equipment as set out in Table 5 below.

Table 5: Collaboration Capital Costs

Planned Expenditure	2013/14 £'m	2014/15 £'m	2015/16 £'m	2016/17 £'m	Total £'m
Total Collaborative Working	0.150	0.150	0.150	0.150	0.600