

# Police and Crime Commissioner

for Hertfordshire

<b>MEETING</b>	<b>POLICE AND CRIME PANEL</b>
<b>DATE</b>	<b>29<sup>th</sup> January 2015</b>
<b>TITLE</b>	<b>The Police and Crime Commissioner's 2015/16 Precept and Budget Proposal</b>
<b>SUBMITTED BY</b>	<b>The Police and Crime Commissioner</b>

## 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 2015/16. The Police and Crime Commissioner (Commissioner) is proposing to maintain the Band D Council Tax of £147.82.
- 1.2 At the time of writing the report we have received provisional settlement information from the Home Office for 2015/16 grant funding as well as provisional tax base information from district councils. We expect final information in late January / early February. Final movements in grant funding or council tax income will be reflected in the Commissioner's budget report which goes to SEB in mid February alongside any further information that is required in concluding the scrutiny of the Commissioner's proposed budget and council tax precept for 2015/16. (If the final grant settlement is received prior to the Panel meeting this information will be presented at the Panel meeting).
- 1.3 The report sets out how the approach to the precept aligns with the 2015/16 budget proposals and the Medium Term Financial Strategy. The budget proposals are consistent with the 2013 – 2018 Police and Crime Plan.
- 1.4 It is projected that over the medium term period (2015/16 – 2018/19) the Office of Police and Crime Commissioner will face a funding gap, before the use of reserves, of some £30.1m or 15% of the 2014/15 £194.6m gross revenue budget. This arises from a forecast grant reduction (partially offset by

increased council tax base and collection fund income) of £13.6m and spending pressures of a further £16.5m (including funding new areas of policing capability to address new demands in the areas of Safeguarding, Child Sexual Exploitation and Cyber Crime). Whilst we have received grant funding figures for the 2015/16 budget, beyond this point the grant funding projections are based on national planning assumptions developed alongside the Home Office and HMIC and reflect the need to plan for further reductions in grant funding broadly in line with those experienced in the last spending review. However, it is recognised that Spending Review 2016, which sets the overall funding for the Home Office and Police, will not be set until summer 2015 following the General Election and that funding levels may vary from these estimates. The reserves position has strengthened in recent years and this serves to mitigate this risk.

1.5 It is recognised that the medium term savings plan involves:

- Savings that have been achieved in the current year and are already reflected in the current reduced spending level. These largely relate to savings developed as part of the Hertfordshire savings programme.
- Collaborative savings that form part of a three year savings plan across Bedfordshire, Cambridgeshire and Hertfordshire that involve combining our back-office and Operational Support services. These are subject to full business case approval and savings are phased across the three year period. These savings form an important part of the medium term financial strategy and figures will be updated in line with the business case process. The financial strategy recognises the risks arising from this and puts aside reserves that can be used to mitigate this risk.
- Further savings to be identified locally or through collaborative units over the final two years of the planning period.

1.6 As referred to above the force has generated reserves which can be used to support the move to reduced funding levels. These have been earmarked to fund one-off costs arising from change programmes, and to allow the force to operate with officer numbers above the planned establishment level over the medium term period, and to provide resources to balance the budget if there is a delay in generating savings.

1.7 Building on the medium term financial strategy, the key issues in constructing the 2015/16 budget have been:

- A reduction in underlying Home Office grant funding of £5.836m.
- Net standstill spending pressures of £0.735m, consisting of gross pressures of £3.482m and compensating rebasing of -£2.747m.
- The investment of £1.120m in Constabulary base budgets.

- A savings programme totalling £5.227m in 2015/16.
- Additional precept income of £1.782m from growth in the Council Tax base and collection fund.
- No use of reserves to support the base budget.
- The use of £0.250m of specific reserves to support targeted expenditure on the Commissioner's Community Fund in 2015/16 and £0.600m to support increased officer recruitment.
- The proposal to freeze the Band D Council Tax and accept the 2015/16 Council Tax Freeze grant estimated at £0.682m.

1.8 Table 1 below sets out the funding of the 2015/16 net budget including the resultant Council Tax Requirement.

**Table 1 : 2015/16 Budget and Council Tax Requirement**

	<b>£'m</b>
<b>Net Budget 2014/15*</b>	<b>185.811</b>
Standstill Pressures	3.482
Standstill Rebasing	-2.747
Investment	1.120
Officer Investment	0.600
Commissioner's Fund	0.250
Use of Specific Reserves	-0.850
Savings	-5.227
<b>Net Budget 2015/16</b>	<b>182.439</b>
Less Home Office Settlement Grants	-118.613
Less Collection Fund Surplus	-1.376
<b>Council Tax Requirement 2015/16</b>	<b>62.450</b>

\* Adjusted for 2014/15 Council Tax Freeze Grant Actual

1.9 2015/16 sees an increase in Ministry of Justice specific grant Victims Funding to the Commissioner of £1.213m. For more details see section 9.7.

1.10 The report sets out the following information:

- Section 2: Police and Crime Plan, Performance Context And Financial Baseline
- Section 3: 2015/16 Funding Settlement
- Section 4: Reserves Position
- Section 5: Precept Proposal
- Section 6: Standstill Budget
- Section 7: Re-investment Pressures and Increased Officer Recruitment
- Section 8: 2015/16 and 2016/17 Savings Proposals
- Section 9: Police and Crime Commissioner Budget
- Section 10: Medium Term Finance Plan 2015/16 to 2018/19
- Section 11: Capital Programme and Prudential Indicators

## **2. POLICE AND CRIME PLAN, PERFORMANCE CONTEXT AND FINANCIAL BASELINE**

2.1 In his first Police and Crime Plan, 'Everybody's Business', the Commissioner endorsed significant continuity with regard to policing priorities, as well as highlighting areas for change and development. The Plan is structured around four key themes:

- Building on the record of successful delivery by the Constabulary
- Focus on putting the public first
- Making offenders pay for the costs they create
- Introducing more business sense in policing and crime

2.2 The Commissioner has a wider role than policing including community safety and crime prevention. In October 2014 the Commissioner became responsible for the commissioning of specialist Victim Services as part of his wider commissioning role and from April 1<sup>st</sup> 2015, will be responsible for the commissioning of victim referral and universal services. In addition, the Commissioner must ensure that victim-led Restorative Justice is accessible for those victims who seek it. See section 9 for full information on the wider crime, justice and victim services funding landscape.

2.3 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 crime recording, recorded crime levels within the County are rising. However, within our Most Similar Family (MSF) of eight forces, the Constabulary's absolute level of crime and levels of crime per population remain the best in the group.

2.5 So far in the current performance year there has been a +12% (+4,617 offences) increase in recorded crime in part reflecting growing demands in particular in 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.

2.6 Latest performance for the year shows:

- Reported anti-social behaviour had increased by 3.4% (683 more reported incidents).

- Burglary dwelling had increased by 2.8% (63 more crimes), the Constabulary is 6<sup>th</sup> in its MSF.
- Motor Vehicle Crime had fallen by 7.6% (340 less crimes), the Constabulary is 4<sup>th</sup> in its MSF.
- Violence Against the Person offences have increased by 46.6% (2,963 more offences), the Constabulary is 3<sup>rd</sup> in its MSF.
- Criminal Damage, one of the highest volume crimes types, had seen a 14.4% decrease (848 less crimes), the Constabulary is 1<sup>st</sup> in its MSF.
- Theft Other offences had also seen a decrease of 3.2% (196 less offences) for which there is no published MSF data.
- Robbery had risen by 3.6% (13 more crimes), the Constabulary is 4<sup>th</sup> in its MSF.
- Domestic Abuse offences had increased by 46.0% (1,465 more offences reported) for which there is no published MSF 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 had increased by 5.5% (239 more crimes), the Constabulary is 1<sup>st</sup> in its MSF.
- The Constabulary's detection rate sat at 30.6%, down from last year's higher rate of 36.9%. The Constabulary is 1<sup>st</sup> amongst its MSF Group for both Victim-Based and for Non-Victim-Based outcomes.

2.7 In relation to 999 emergency call handling, cumulative year to date shows 89.5% for calls answered within 10 seconds against a target of 90%. Performance over the last month has largely been on target and we anticipate that we will maintain the target throughout the rest of the year. With regards to non-emergency calls, cumulative year to date figures are on target with 85% answered within 30 seconds.

#### Financial Baseline

2.8 The 2014/15 budget represented the final year of Spending Round 2010 which set out a 20% real terms reduction in grant funding for the Police Service for the period 2011/12 – 2014/15. The December settlement set a further reduction in funding for the force in 2015/16 of 7.3% real terms (5.1% cash). In the period 2011/12 – 2015/16 Hertfordshire will have made gross savings of £40.3m and after taking into account investment, net savings of £35.9m.

2.9 The 2014/15 budget represents a financial baseline of £185.8m net expenditure (£194.6m gross). Net expenditure in 2015/16 will reduce to £182.4m. Table 2 below sets out a high level summary of the budget and shows that gross expenditure will decrease by £0.8m to £193.8m in 2015/16. Appendix A sets out the 2014/15 gross budget for cost centres included within

each grouping. The allocation is based upon the best information available at the time of writing the report.

**Table 2 :- 2014/15 and 2015/16 Budget Summary**

	<b>2014/15 Gross Budget £'m</b>	<b>2015/16 Gross Budget £'m</b>
Local Policing Command	84.4	84.4
Community Safety & Crime Reduction	9.6	10.1
Protective Services	32.8	31.9
Operational Support	23.1	22.3
Business Support	32.8	32.2
Hertfordshire Corporate Budgets	9.2	9.6
<b>Total Constabulary</b>	<b>191.9</b>	<b>190.5</b>
Office Of The Police And Crime Commissioner	1.0	1.0
Commissioning Budgets	1.7	2.3
<b>Total Office of the PCC</b>	<b>2.7</b>	<b>3.3</b>
<b>Total Revenue Budget</b>	<b>194.6</b>	<b>193.8</b>

2.10 In the current year the Constabulary has been able to deliver savings ahead of schedule. In addition there have been significant Police Officer and Police Staff underspends. Police Officer numbers have been below establishment partly arising from higher than expected turnover and the transfer of officers into regional units. Police officer recruitment has increased significantly during the year (projected to be 138 officers) such that officer numbers will be close to establishment level at the end of the year. Police staff turnover has continued to be high, partly due to the transfer of PCSOs into officer ranks, and there has been less constraint on recruitment in a range of areas, particularly the control room. However, police staff levels have continued to be below establishment levels. This does mean that a high proportion of the police staff budget savings can be achieved in 2015/16 through natural turnover and has meant that redundancy costs have been low. As a result of the overall reduction in staff numbers in the last four years costs relating to fleet, IT, staff increments and allowances have fallen, These have resulted in underspends in the current year and are reflected in a rebased 2015/16 standstill budget. It is projected that in 2014/15 there will be a gross underspend of £7.2m (See Appendix B for more detail) although this will be offset by increased repayment of Capital Financing Requirement which serves to reduce capital financing costs over the medium term.

### 3 2015/16 FUNDING SETTLEMENT

- 3.1 The 2015/16 funding settlement generates a cash grant of £117.931m representing an overall reduction of £5.836m (4.7%). The main elements of the funding settlement are set out below.
- 3.2 Spending Round 2013 (SR 2013) set out a headline reduction in police funding of 4.9% (3.2% cash) for 2015/16. Subsequently the 2013 Autumn Statement announced two additional 1.1% real terms reductions to Home Office funding for 2014/15 and 2015/16. The Home Office protected forces from the additional 2014/15 saving. In the 2015/16 provisional settlement the government has updated the deflator it applies to calculate the cash equivalent of headline real terms figures, with the result of increasing the cash reduction to the overall police settlement from 3.2% to 3.4% indicating that some of the 2015/16 additional 1.1% Home Office saving has now been passed on to police forces. The 3.4% cash reduction applies to the overall baseline of police funding from central government totalling £8.2bn (£8.5bn 2014/15) and so includes not only police grant and former DCLG formula funding, but also council tax related grants and counter terrorism funding. It is recognised that the 2015/16 funding levels may be amended following the General Election as was the case in 2010.
- 3.3 Funding levels beyond 2015/16 will be subject to a spending review by an incoming government. A 3.2% per annum cash reduction to the overall police settlement has been built into the medium term forecast. This is derived from the Home Office Silver Group planning assumptions. The level of individual force's funding may be influenced by the review of the funding formula which could serve to increase the level of grant reduction.
- 3.4 The 2015/16 Provisional Funding Settlement was announced on the 17<sup>th</sup> December 2014 and at a Police Service level reflects the headline reductions set-out in section 3.2. The impact on police forces is a uniform cash 5.1% floor reduction in total core grant (Police Core plus former DCLG settlement grants), which is greater than the headline figure as a result of further top slicing by the Home Office to fund national policing bodies and initiatives (see section 3.9) and the continued protection of both Counter Terrorism funding and legacy council tax grants. The final settlement will be announced in February and so the grant figures set out below may change. In recent years these changes have been minimal.

**Table 3 : Summary of Grant Changes**

	2014/15 £'m	2015/16 £'m	Change £'m
Formula Funding Allocation (Police Main Grant, DCLG Funding Formula Grant)	114.219	108.383	-5.836 (5.1%)
Council Tax Freeze Grants	3.005	3.005	0.000 (0.0%)
Council Tax Support Grant	6.543	6.543	0.000 (0.0%)
<b>Net Grant Reduction</b>	<b>123.767</b>	<b>117.931</b>	<b>-5.836 (4.7%)</b>



- 3.5 Table 3 above summarises the grant funding for the Commissioner next year, setting out a loss of £5.836m for 2015/16 in the underlying level of grant funding. This figure does not reflect the receipt of 2015/16 council tax freeze grant estimated at £0.682m.
- 3.6 In last year's settlement the Home Office stated that legacy council tax freeze grants will be paid within the police funding settlement but ring fenced to the current recipients at current cash levels thus providing on-going base funding. This approach has been maintained in 2015/16 and is reflected in the £3.005m Council Tax Freeze grants line in Table 3 above and which has been built in to the control total for the 2015/16 police settlement figure of £8.2bn.
- 3.7 In the provisional settlement the government has confirmed the second year of the two council tax freeze grants, set at the equivalent of 1% council tax increase based upon an adjusted tax base (circa £0.682m). By choosing to freeze council tax in 2015/16, the Commissioner is entitled to this grant (see section 3.5). In total Hertfordshire will receive some £3.687m of council tax freeze grant in 2015/16. It has been assumed that this ring-fenced income stream will continue over the medium term period but it is recognised that this will be determined as part of the wider Police Grant Settlement in the 2015 Spending Review and is potentially subject to reduction.
- 3.8 The settlement also confirmed entitlement to Council Tax Support grant totalling £6.543m, representing 90% of the cost of the previous national scheme. The grant is in line with 2014/15 and is paid by the Home Office.
- 3.9 As set out in section 3.2 above, all forces have again seen their 2015/16 grant allocation top-sliced by the Home Office, the cumulative effect of which is an estimated £3.1m reduction in Hertfordshire's funding. This second year of top-slicing sees Hertfordshire's 2015/16 grant decrease by £1.5m due to the removal of grant to fund £96m of additional national Home Office priorities including:
- An increase to the Police Innovation Fund of £20m to £70m.
  - A further £12m to the IPCC who will now receive £30m funding in total.
  - £40m towards the continued development of major programmes including the Emergency Service Mobile Communications Programme.
  - £15m for a Special Police Grant contingency fund (to support forces facing unplanned or unexpected additional pressures).
  - A balance of £9m relating to a range of national projects.
- 3.10 The Innovation Fund is aimed at driving a shift in the way policing is delivered with a particular focus on collaboration. In November 2013 the Home Secretary established an annual fund of £50m from 2014/15 with a further £20m from 2015/16 announced in the provisional settlement. A number of bids have been submitted for the coming year towards the cost of BCH collaboration including Operational Support Public Contact, Organisational Support funding for a joint HR Finance system and a contribution towards the BCH change programme team costs. The outcome of the 2015/16 bids is expected to be announced in mid March. Base funding to support collaboration is included within the budget and as set out in section 6 the

Change Management reserve has also been established to meet one-off costs. As collaboration plans are developed over the coming months and details of the Innovation Fund become available, we will further develop the spending and funding plan.

- 3.11 From October 2014 the Commissioner took responsibility for Victim Services commissioning. The Ministry of Justice has confirmed Hertfordshire's share of this funding at £1.213m for 2015/16, in line with the indicative figure provided with the 2014/15 settlement. Further detail of Ministry of Justice grant and associated spending plans is provided in section 9.7 below.
- 3.12 From July 1<sup>st</sup> 2014 Bedfordshire Police took over the role of regional lead force for ERSOU – the Eastern Region Special Operations Unit. All grant paid by the Home Office in connection to ERSOU is now received directly by Bedfordshire and a proportionate allocation offset against Hertfordshire's share of the running costs of the unit. The budget assumes regional grants are maintained at current levels.

## 4 RESERVES POSITION

4.1 It is proposed that £0.850m of specific reserves are used to support the following areas of expenditure in the 2015/16 budget:

- £0.600m from the Operational Capability reserve to support increased recruitment of police officers over the budgeted establishment (see section 4.8 and 7.15).
- £0.250m from the Commissioner's Fund Reserve (see section 9.5).

4.2 In recent years the level of reserves has increased and can now be used as an important part of the Medium Term Financial Plan. Reserves are projected at £37.6m at the end of the current financial year. They are not used to support base budget expenditure in the 2015/16 budget, but it is assumed that some £8.0m will be used in the following three years to be able mitigate the impact of higher standstill costs and significant reductions in grant funding. It is recognised that reserves cannot be used to balance the budget in the long-term and the medium term plan builds in a phased reduction in the use of reserves to support base budget expenditure.

4.3 Reserves are also earmarked to be used to support one-off costs arising from the collaborative and local change programmes.

4.4 General reserves of £5.5m are 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.

The tables and paragraphs below set out in more detail the allocation and proposed approach to using reserves.

**Table 4 – Reserves As At 31<sup>st</sup> March 2015**

	<b>Projected Balance At 31<sup>st</sup> March 2015 £'m</b>
Base Budget Support	8.0
Change Reserves	11.8
Operational Capability Reserve	7.0
Carry Forward Reserve	1.0
Other Specific Reserves	4.3
<b>Total Specific Reserves</b>	<b>32.1</b>
General Reserves	5.5
<b>Total Reserves</b>	<b>37.6</b>

## General Reserves

- 4.5 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. This review is set out in Appendix C and supports the proposed application of reserves to support the budget over the medium term within the funding context set out in section 3. The review concluded that the minimum prudent level of reserves for 2015/16 is £5.5m (3.0% of the 2015/16 budget) and this is reflected in the general reserves balance. It is considered there are compensating risks regarding spend levels in 2015/16 with the risk of underspends arising from staff turnover and vacancies as well as income from the Camera Tickets and Collisions unit offset by the risk that generating collaborative savings may be delayed.

## Base Budget Support

- 4.6 The MTFP assumes the use of £8.0m of reserves to support the base budget over the next four years and table 5 below sets-out the planned year on year use. For 2015/16 no use of reserves is proposed to support the budget. This is possible due to the relatively low level of standstill pressures and the ability to drive out Hertfordshire only savings. For 2016/17 £3.5m of reserves will be required as a result of the significant pressure on standstill from a projected 2% pay award and £2.9m additional national insurance contributions (section 6.4). 2016/17 represents a significant level of reserve use that would not be sustainable in the longer term and so for 2017/18 and 2018/19 reliance of reserves is reduced to £2.5m and then £2.0m.

Table 5 – Use of Reserves to Support Budget

	2015/16 £'m	2016/17 £'m	2017/18 £'m	2018/19 £'m	Total £'m
Use of Reserves	0	3.500	2.500	2.000	8.000

## Change Reserves

- 4.7 Reserves totalling £11.8m have been earmarked to meet the costs of implementing both Hertfordshire only and Bedfordshire, Cambridgeshire and Hertfordshire (BCH) Collaborative change programmes. The BCH programme covers the areas of Operational Support (Public Contact, Criminal Justice, Custody and Firearms Licencing) and Organisation Support (HR, L&D, ICT, Finance and Information Management) and is expected to deliver up to £10.3m of savings over the next three years (see section 8.3 – savings for more detail). It is currently anticipated that Hertfordshire's share of one-off implementation costs for BCH collaboration will be in the region of £4.9m which will be met from reserves, there is a separate provision for redundancy costs. These costs are not reflected in the budget at this stage which will be revised once business cases have been fully developed and approved. In addition the longer term need to review the policing model in order to realise the savings required to bridge the medium term funding gap will also require

funding. Both these change programmes carry a level of risk both in terms of timing and the extent to which the full level of savings will be realised and the balance of the reserve will be held to mitigate these over the medium term.

#### Operational Capability Reserve

- 4.8 As set out in section 7.15 there is a requirement to increase recruitment so as to operate the local policing model at the designed establishment levels and to resource new policing capabilities. Resources of £7.0m are allocated from reserves to support recruiting officer levels above the budgeted establishment over the medium term period, including the cost of increased recruitment and training capability. This temporary increase would then be followed by a period of lower recruitment enabling officer numbers to return to budgeted levels by March 2019, at which point the overall skills and experience mix of the officer establishment would be better aligned to the operational challenges facing the force. This plan will be reviewed on an annual basis to ensure the balance of actual officer numbers remains in kilter with the developing financial position. The first review will take place in summer/autumn 2015. It is anticipated that the draw on this reserve will be £0.6m in 2015/16.

#### Other Specific Reserves

- 4.9 In addition to the areas above, the Commissioner holds a number of smaller specific reserves totalling £4.3m, details of which are set out in Appendix C. These specific reserves include the Commissioner's reserve which is forecast at £0.8m at the end of the current financial year, which will be used to fund payments made from the Commissioner's Community Fund totalling £0.250m in 2015/16.
- 4.10 The Commissioner actively manages the reserves to ensure they are utilised in such a way that reduces revenue budget pressures whilst maintaining support for the areas set out above. Cash balances are invested in line with the Commissioner's Treasury Management Strategy to optimise investment yield within defined risk parameters. In addition where opportunities to apply reserves to achieve on-going revenue savings can be identified, these are assessed and if found suitable implemented. e.g. through the early repayment of Capital Financing Requirement.

## 5 PRECEPT PROPOSAL

- 5.1 **After taking into account the overall funding position of the force including the reserves position, standstill pressures (section 6) and the scope to achieve savings (section 8), the Commissioner proposes to freeze council tax at the current Band D rate of £147.82 and to accept the 2015/16 Council Tax Freeze Grant of £0.682m.** 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. (see section 8.10 for details)
- 5.2 Hertfordshire's 2014/15 Band D council tax has been at its current level since 2010/11. Hertfordshire now has the fourth lowest shire police force council tax being 7.1% below the Most Similar Group average and 15.6% below the shire average. Precept income in 2014/15 is £62.044m.
- 5.3 An important element of precept is the tax base for which provisional figures received from district councils indicate an increase of 1.6% (raising £1.000m additional precept). In addition, provisional figures from District Councils for the collection fund surplus total £1.376m. The latter is an increase of £0.782m on 2014/15 with both years being significantly higher than the average of £0.199m for the prior three years. The collection fund surplus is one-off income and potentially quite volatile. There is a risk this that in future years this income could reduce dramatically or even move into deficit. A net nil position on the collection fund in 2016/17 would serve to increase the budget gap by £1.376m. Planning assumptions for 2016/17 are for a similar increase in tax base and a 50% reduction in the collection fund surplus.
- 5.4 The government confirmed in the provisional settlement announcement a further council tax freeze grant, set at the equivalent of 1% council tax increase (circa £0.682m) for 2015/16. By choosing to freeze council tax in 2015/16, the Commissioner is entitled to the grant. Information regarding the maintenance of Council Tax Freeze Grant in the medium term is considered in section 3.
- 5.5 Alternatively the Commissioner could have chosen to increase council tax. In his statement on the 2015/16 provisional settlement, the Local Government Minister stated that 'Any council proposing an increase of 2% or more will need to allow local people the opportunity to approve or veto the increase in a referendum. This threshold will apply to all local authorities, including the Greater London Authority, fire authorities and police and crime commissioners'. A 2.0% increase in council tax for Hertfordshire would generate £1.247m of precept income. If further information on the council tax referendum threshold is announced it will be presented at the Police and Crime Panel meeting.
- 5.6 Looking forward, our MTFP projection for 2016/17 – 2018/19 assumes a reducing level of collection fund surplus, an annual growth in the tax base of 1.1% and an annual council tax / freeze grant funding increase equivalent to a 1.0% increase in the Band D council tax rate. If the payment of new freeze grants were to cease from 2016/17 and precept remains frozen, the impact of

the budget gap would be an increase of £2.046m. The approach to precept will be reviewed by the Commissioner as part of the annual budget setting process.

## 6 STANDSTILL BUDGET

- 6.1 Table 6 below 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 £0.735m (0.4%) in 2015/16 (0.7% relating to removing reliance on reserves). This is a low level of standstill pressure arising from a rebasing exercise (see section 6.2). The detailed yearly movement in the standstill budget is set out in the following table.

**Table 6 : 2015/16 to 2018/19 Increased Standstill Costs**

	2015/16 £'m	2016/17 £'m	2017/18 £'m	2018/19 £'m
<b>Unavoidable Pressures:</b>				
Pay Awards incl. Overtime:				
Police Officers	0.948	1.477	1.849	1.935
Police Staff	0.799	0.662	1.135	1.187
Police Officer Pay & Allowances	-0.838	0.436	0.342	0.242
Police Staff Increments	-0.350	0.195	0.190	0.185
Winsor Review	-0.160	-0.134	-	-
<b>Sub-Total: Staff and Officer Costs</b>	<b>0.399</b>	<b>2.636</b>	<b>3.516</b>	<b>3.549</b>
National Insurance	-	2.900	-	-
Local Government Pension Scheme	-0.340	-0.486	0.032	-
Non-Pay - Inflationary Cost Pressures	-0.259	0.541	0.525	0.494
<b>Sub-Total: Unavoidable Pressures</b>	<b>-0.200</b>	<b>5.591</b>	<b>4.073</b>	<b>4.043</b>
<b>Previous Decisions:</b>				
Interest on Balances / Capital Financing	-0.580	-0.025	-0.140	-0.038
Revenue Effects of Capital	0.700	0.100	0.100	0.100
Remove Reliance on Reserves	0.815	-	3.500	2.500
<b>Sub-Total: Previous Decisions</b>	<b>0.735</b>	<b>5.666</b>	<b>7.533</b>	<b>6.605</b>
<b>Standstill Budget Increase</b>	<b>0.4%</b>	<b>3.0%</b>	<b>3.9%</b>	<b>3.3%</b>

- 6.2 The relatively low standstill pressure of £0.735m for 2015/16 reflects a rebasing exercise undertaken early in 2014/15 aimed at better aligning budgets with current spending behaviour. Through an analysis of underspends the rebasing exercise identified the potential to release £2.747m from a range of budgets including £1.270m from police officer pay reflecting lower actual average rates of police pay as the proportion of new recruits and officers on the lower end of the police constable pay scales increases as a result of current recruitment plans, £1.058m from staff pay budgets primarily from turnover resulting in increment churnage and reductions in on-costs associated with payments to the Local Government Pension Scheme to fund



the past service deficit. Finally £0.419m has been removed from non-pay budgets, predominantly utilities, which have seen lower than anticipated inflationary pressures as well as reduced consumption following estates rationalisation. The rebasing exercise does not result in any reduction in establishment. The key areas of the 2015/16 standstill budget are set out below:

**6.3 Officer and Staff costs** – increases of £0.399m in 2015/16 and £10.100m up to 2018/19 to reflect:

- **Pay Awards** –The projected 2015/16 figure of £0.948m for police officers reflects a 1.0% per annum increase in September 2015 in line with continued public sector pay restraints. The figure of £0.799m for police staff reflects a 2.2% increase from 1<sup>st</sup> March 2015 to 31<sup>st</sup> August 2016. Increases of 2.0% per annum, in line with government planning assumptions, have been assumed from September 2016 onwards.
- **Police Officer Pay and Allowances** – A net total of £0.838m will be removed from these budgets for 2015/16. This figure results from the removal of the £1.270m identified through the rebasing exercise (section 6.2) and a reduction of £0.300m primarily in replacement allowances as eligibility continues to reduce through officer retirements. Offset against these savings is the on-going need to fund future incremental progression expected to be £0.732m in 2015/16 and £1.752m up to 2018/19. This cost reflects standard incremental progression across all police officer ranks as well as implementation of the new shortened police constable pay scheme under 'Winsor 2', which will accelerate the need to fund progression as it is phased in.
- **Police Staff Increments** – The standstill impact of police staff budgets is a net reduction of £0.350m resulting from the removal of £0.550m of budget through the rebasing exercise – primarily as a result of high turnover levels increasing the number of posts budgeted for at entry levels spinal points, offsets against a standstill pressure of £0.200m to fund increments payable under the national Police Staff Council conditions. This estimate builds in the high level of current vacancies as well as anticipated future turnover in 2015/16.
- **'Winsor Review'** –The reduction of £0.160m represents the continued phased abolition of Competency Related Threshold Payments.

**6.4 National Insurance** – No impact for 2015/16. 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.

**6.5 Local Government Pension Scheme (LGPS)** – 2014/15 saw the implementation of the March 2013 triennial valuation, carried out by the

scheme actuary Hymans Robertson. 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 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2017. The valuation results showed an increased level of funding from 81% in 2010 to 92% in 2013 and following further review of current budgetary provision as part of the rebasing exercise, £0.340m of backlog contribution budget has been identified as available to reduce standstill pressures in 2015/16 and a further £0.486m in 2016/17. Overall employer's contributions remain at a rate of 18.9%.

- 6.6 **Non-Pay costs** – The standstill budget will face a decrease of -£0.259m in 2015/16 primarily due to lower than previously budgeted non-pay related spending pressures. These include the cost of general inflation at 1.0% on goods and services and an allowance for a number of exceptional inflation rates for specific items which have a material impact on the budget including business rates which are linked to the September RPI, the current relatively low fuel and energy prices as well as price reductions due to renewal of contracts. The low 2015/16 figure is net of £0.419m of rebasing following lower than anticipated increases in utilities and reductions in fuel costs during 2014/15. Over the medium term non-pay costs are expected to increase by £1.301m up to 2018/19.
- 6.7 Included within non-pay costs are the Commissioner's contributions to the National Police Air Service (NPAS) of £0.480m. The NPAS National Strategic Board has proposed that savings of 5-7% will be delivered over the next three years starting 2015/16, but at this stage further work is required nationally to understand the phasing and allocation of savings and the proposed budget is, in line with national advice, based on the 2014/15 level of charges.
- 6.8 **Capital Financing Costs** – Decrease of £0.580m in 2015/16. The Commissioner has seen an increase in the level of cash balances over the last four years as a result of higher levels of cash-backed reserves and the accumulation of capital receipts resulting from the Estates Strategy. Historically low interest rates have suppressed investment earnings on these cash balances. However following recent work to consider options for the most effective application of these resources it was agreed to revise the Treasury Management Strategy to increase the level of investments placed for longer than one year as well as investing in a wider range of instruments, the impact of which is forecast to be a £0.300m increase in investment income in 2015/16. In addition, the work identified the potential to reduce Minimum Revenue Provision payments, through making a one-off Voluntary Revenue Provision of up to £7.000m saving a further £0.200m in 2015/16 on an on-going basis. Over the medium term capital financing costs are forecast to decrease in total by £0.783m.
- 6.9 **Revenue Effects of Capital** – Increase of £0.700m in 2015/16 of costs largely relating to increases in mobile data costs within ICT resulting from the continued roll-out of mobile devices as well as costs associated with the implementation of Athena. Athena has been developed using a national framework contract between the seven early adopting forces - Essex, Bedfordshire, Cambridgeshire, Hertfordshire, Kent, Norfolk and Suffolk, and

the supplier Northgate Public Services. Athena is a single IT system that will replace a raft of existing legacy systems managing police investigations, intelligence and defendants (both custody and case preparation) across all member forces, giving front-line police officers and staff in those forces access to more detailed and up-to-date information whilst reducing bureaucracy. Hertfordshire will go live on Athena in around twelve months time. Plans are being developed to establish the resourcing requirements for both implementation (specialist, trainers and abstractions) and the longer term adoption of the system and the associated working practices. From 2016/17 onwards spend pressure from revenue effects of capital is forecast at £0.100m per annum as the force continues to increase its mobile data usage and ICT infrastructure convergence work is progressed.

- 6.10 **Prior Year Draw on Reserves** – The 2015/16 net budget is not supported by reserves. Removal of the reliance on reserves used to support the 2014/15 budget results in a 2015/16 standstill pressure of £0.815m.
- 6.11 Looking forward, the medium term standstill budget is forecast at £20.539m up to 2018/19, reflecting standstill pressures of 3.2% to 3.9% per annum over the final three years.

## **7 RE-INVESTMENT PRESSURES AND INCREASED OFFICER RECRUITMENT**

- 7.1 **Additional expenditure totalling £1.720m has been built into the 2015/16 budget, made up of £1.120m relating to specific Investment Pressures and £0.600m relating to increased officer recruitment above budgeted establishment levels.**

### **Re-Investment Pressures**

- 7.2 The Constabulary has an established local policing model, which alongside specialist and collaborative units is designed to provide the capability to address the range of crime and anti-social behaviours demands facing the force. The Local Policing model provides a major policing presence in each of the ten Community Safety Partnerships (CSP) alongside 33 Safer Neighbourhood Teams (SNT). The model aligns with CSPs and thereby provides a strong relationship with partner organisations. The co-location of SNTs with Intervention and Investigation Teams is seen as a further strength of Hertfordshire's model. In 2014/15 the resourcing of the Local Policing model amounted to £82.3m (net).
- 7.3 In response to changes in the national crime profile the Chief Constable recognises the need to focus investment in Hertfordshire operational teams where there are new or increasing demands. This is the case in the Safeguarding area and in response to the increase in Cyber-crime. These two areas form the majority of the re-investment programme. A total of £1.120m has been prioritised for investment in 2015/16, with a further £0.790m earmarked for the 2016/17 budget. The specific investment proposals are set out below.

### **Safeguarding - £0.645m 2015/16, £0.145m 2016/17 - (9 FTE Police Officer, 11 FTE Police Staff)**

- 7.4 The Constabulary is reviewing its existing Protecting Vulnerable People (PVP) portfolios with the aim of establishing a new Safeguarding Command which will bring together strategic and operational teams, and provide a more focused operational response. This Command will cover children, domestic abuse and vulnerable adults and to ensure close working with partners a Multi-Agency Safeguarding Hub (MASH) concept is being developed alongside the County Council, initially in relation to children.
- 7.5 The growing demands and public profile in this area highlight the need to invest extra resources in two specific areas of immediate demand, these being Child Sexual Exploitation and Domestic Abuse. Details of the proposed investment are set out in the following sections and would form part of the overall funding of the Safeguarding Command. Alongside this additional resource increase the overall resourcing requirement will be assessed over the coming year in light of the Safeguarding review and the impact of brigading internal resources. In the medium term focus will be given to bringing together

services with partnership organisations so as to manage the increase in demand in a more cost effective manner.

#### Child Sexual Exploitation

- 7.6 The additional resources represent a response to the fact that investigative capability in this area is under significant pressure. It is also a response to the Home Secretary's letter to all Chief Constables on addressing child sexual exploitation following the Independent Inquiry in Child Sexual Exploitation in Rotherham 1997-2013. Since 2012 demand relating to Child Sexual Exploitation across the County Community Safety Unit (CCSU) investigative units has rapidly increased, both in terms of volume and levels of threat / risk and continues to do so. The unit has seen:
- Increased reporting of crime (e.g. following Operation Yewtree);
  - Referrals (e.g. 24% increase to Joint Child Protection Investigation Team since March 2013 and a 50% increase in referrals to the Historic Abuse Unit since October 2012);
  - 100% increase in children on Child Protection Plans across Hertfordshire since March 2013)
- 7.7 The unit's immediate response is a planned increase to the CCSU establishment totalling 9 FTE Police Officer, 2 FTE Police Staff to support areas of new and rapidly growing proactive work e.g. that done by Op HALO, to prevent and tackle cases of Child Sexual Exploitation and the Child Online Safeguarding Team (COST) and new investigative techniques e.g. Polygraph testing and file sharing. The overall cost of this enhanced establishment is £0.480m in 2015/16.

#### Domestic Abuse

- 7.8 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.
- 7.9 Whilst a number of responses have or are in the process of being introduced to address the report's findings, there continues to be a high level of demand on the Harm Reduction Unit (HRU) reflected in the increase in reported domestic incidents and the recent introduction of the Domestic Abuse Disclosure Scheme (DADS) and Domestic Violence Protection Orders (DVPO). To meet this demand it is proposed to increase the current establishment by 9 FTE police staff at a phased cost of £0.165m in 2015/16 with a further £0.145m in 2016/17. Three of these staff will be employed within the admin team addressing increased levels of referrals to the Multi Agency Risk Assessment Conference that arise from the Co-ordinated Action against Domestic Abuse guidelines. The remaining 6 FTE will be Domestic

Violence Officers dealing with the increased level of administrative tasks including contacting victims within 24 hours, arranging appropriate safety planning and completion of the relevant Risk Assessment Forms.

**Response to Cybercrime - £0.360m 2015/16, £0.450m 2016/17 - (11 FTE Police Officer, 5.5 FTE Police Staff)**

- 7.10 A new Hertfordshire Cyber and Financial Investigation Unit has been established to undertake work that falls outside regional responsibilities, plus existing and emerging risks from cybercrime. In particular, there are opportunities to enhance the response to existing and emerging threats from cybercrime and human trafficking. Cyber-enabled crimes are committed through the use of computers, the internet or mobile technology and it is an area of risk that the Constabulary needs to invest additional resources in. There are a significant amount of residual fraud issues which ERSOU+ will not deal with including Action Fraud investigations, which currently falls to the Local Policing Command and providing a response to victims of fraud. Threats from human trafficking have also been identified as a risk and these investigations are likely to need financial investigative skills as financial gain is usually the motive for human trafficking.
- 7.11 The work of the Hi-Tech Crime Unit (HTCU) is predominantly to examine seized computer, laptops, mobile phones etc. Often the seized device holds the only piece of evidence in an investigation, and is particularly important in paedophile investigations. The HTCU has experienced a significant increase (85%) in work since 2008/09 and the risks associated with failure to deliver the required service include the slowing down or non-processing of indecent images for paedophile investigations. In light of the new demand the department has been restructured with resources to fund an additional investigation manager and an examiner.

**Criminal Justice Department- £0.055m 2015/16, £0.085m 2016/17 – (5 FTE Police Staff)**

- 7.12 The Constabulary had the highest number of warrants for offenders that reside out of force within our Most Similar Group, with 50% of those relating to foreign national offenders, combined with an ever increasing number of people failing to answer police bail. In response the Criminal Justice Department began a Bail Management Pilot, which included a dedicated team to provide focus and promote ownership of bail management with the goal of reducing the number of people failing to answer police bail across the county. Persons failing to answer bail were evading justice, putting communities at risk and increasing demand on police officer time. The pilot has been a success, with a 49% reduction in Fail to Appear warrants. The creation of a new Bail Management team with additional resources will drive an on-going proactive approach to the complete bail process, minimising the number of people failing to answer police bail across the county.

- 7.13 Following the successful implementation of video technology within Watford custody from February 2012 for offender hearings to court, which showed a marked increase in the guilty plea rate, the scheme was extended to both Hoddesdon and Stevenage police stations. Current provision is based upon police staff overtime and the proposal is to increase resilience by better matching demand to establishment through the creation of detention officer roles.

**Integrated Offender Management Liaison to HMP, The Mount - £0.060m 2015/16, £0.110m 2016/17 - (3 FTE Police Officer, 1 FTE Police Staff)**

- 7.14 HMP, The Mount has recently been designated as a resettlement prison. Adults will serve their sentence elsewhere but will be sent to a resettlement prison, close to where they live, prior to release; at this point local services have access to prisoners, providing the opportunity to improve investigation, intelligence and policing response at the Mount. Within the context of an increasing The Mount population and recent regionalisation of the Prison Intelligence Units (PIU), to improve offender management there is a need to increase resources working alongside partners, the Community Rehabilitation Company and the National Probation Service to deliver the policing element of rehabilitation services across the County.

**Increased Officer Recruitment**

- 7.15 In light of the strengthened reserves position it is proposed to accelerate recruitment such that actual officer numbers exceed budgeted establishment over the medium term period, with the excess funded from reserves. It is planned that 138 officers are recruited in 2014/15 (including 30 transferees) and 150 recruited in 2015/16 (including 24 transferees), leading to the force being over establishment levels by mid 2015/16. It is projected that the part-year cost in 2015/16 will amount to £0.600m including the cost of increased recruitment and training capability. The integration of this expenditure into the overall medium term financial plan is considered in section 4.

**One-Off Investment Pressures**

- 7.16 In addition to the areas above, a number of one-off areas of investment totalling £1.006m in 2015/16 have been identified and it is proposed that these will be funded through carry-forward requests as part of the budget monitoring process. These include Crime Service Team £0.413m, Innovation Team £0.436m and Corporate Services £0.157m.

## 8 2015/16 AND 2016/17 SAVINGS PROPOSALS

- 8.1 Table 7 shows the proposed savings plan for 2015/16 and 2016/17. The savings plan is based on both collaborated and Hertfordshire only savings. In particular for 2015/16 new BCH savings in Operational and Organisational Support total £1.3m and the extension of Protective Services collaboration generates a further £1.3m. Non-collaborative savings, other than the rationalisation of custody, are predominantly already achieved and reflected in the spending patterns included in the 2014/15 budget monitor and as such not dependent upon the implementation of change programmes, providing a high level of confidence regarding their achievement in 2015/16.

**Table 7 : Proposed 2015/16 – 2016/17 Savings Programme**

	2015/16 £'m	2016/17 £'m
New BCH Collaborative Savings		
- Organisational Support	1.0	2.0
- Operational Support	1.0	3.5
- Contingency	-0.7	-1.2
<b>Total New BCH Collaborative Savings</b>	<b>1.3</b>	<b>4.3</b>
Extending Collaborative Protective Services Savings		
- Joint Protective Services	0.7	0.8
- ERSOU	0.6	-
<b>Total Protective Services</b>	<b>1.3</b>	<b>0.8</b>
Hertfordshire Only		
- Local Policing Command	0.6	0.5
- Estates Non Pay Budgets	0.8	0.1
- Police Staff Vacancy Factors	0.5	-
- Specific Contingencies	0.7	-
<b>Total Hertfordshire Only</b>	<b>2.6</b>	<b>0.6</b>
<b>Total Savings Plan</b>	<b>5.2</b>	<b>5.7</b>

- 8.2 The key themes to the 2015/16 savings programme are:

### **New BCH Collaborated Savings - £1.3m 2015/16**

- 8.3 2015/16 will see the commencement of the implementation of BCH collaboration on Organisation and Operational Support. Current plans are that savings in these areas will total £23.3m for BCH with Hertfordshire receiving £10.3m on-going savings per annum. It is projected that savings will be



phased over a four year period with savings of £1.3m during 2015/16, £4.3m during 2016/17, £4.5m during 2017/18 and £0.2m during 2018/19. Both the 2015/16 and 2016/17 savings have been moderated to reflect the risk of delay and underachievement given the relatively early stage of business cases. Set-up costs will be funded from the Change Reserves, redundancy provision and the Capital Programme. Areas included in the first phase of business cases include:

- (i) **ICT £0.2m 2015/16.** The existing BH collaborated department will combine with Cambs to form a BCH unit of some £20.3m. A savings target of some £3.1m has been set with 50% to be achieved in 2015/16. Hertfordshire's share of the savings is £0.2m in 2015/16 increasing to £0.8m by 2017/18. Joint ICT work between the three forces has been undertaken over the last 4 years and there is a high level of alignment in future ICT plans in key areas such as 'back-office' systems, control room, mobile technology and our key crime systems, particularly Athena. A tri-force Director of ICT has been appointed and is in post. The Strategic Outline business case has been agreed and work is underway on the Outline and Full Business cases. An integration plan will now be developed with savings initially coming from non-pay areas as the forces converge to single systems and then the implementation of a new staffing structure in the medium term.
- (ii) **HR and Learning & Development £0.7m 2015/16.** Joint HR work across the three HR departments has been in place for the last three years, with common HR policies established for collaborative units and an interim lead on HR appointed to produce the business case. The Project Outline Document has been agreed and the Outline Business Case is planned for March. Annual BCH HR and Learning and Development revenue costs total £14.3m and a savings target of 26% or £3.7m has been agreed, with some 25% achieved in 2015/16. Hertfordshire's share of the savings is £0.7m in 2015/16 increasing to £1.6m by 2017/18. Initial savings are expected through the brigading of senior manager roles followed by work to operate common policies and procedures. However, full integration of the three existing departments into a BCH unit is heavily contingent upon the implementation of a tri-force HR system for which specification work is underway through user workgroups and a procurement process is expected to commence in February. System go live is currently anticipated in early 2016/17.
- (iii) **Public Contact £0.8m 2015/16.** The existing revenue costs relating to Public Contact (including despatch and crime recording) total £23.8m and an overall savings target of 30% has been set. Hertfordshire's share of the savings is £0.8m in 2015/16 increasing to £3.1m by 2017/18. An Outline Business Case for collaborating across Public Contact has been completed and is currently subject to consideration by Chief Constables and PCCs. Collaboration in this area builds on the common Command and Control system which was introduced across the three forces in the last three years. Work is on-going to determine the optimum configuration for delivering Public Contact across the three counties taking into account the crucial role the service provides in the effective delivery of policing, the scope to use new technology to enable the public to contact the police and the scope to introduce more efficient processes.

(iv) Other Collaborations £0.3m 2015/16 - There are a range of smaller collaborative savings including Criminal Justice and Legal Services. Work relating to these areas is at early stage and a relatively small level of savings has been built into the budget.

8.4 The figures above represent Hertfordshire's share of the overall BCH savings and form the first tranche of an estimated £10.3m over the medium term. As set out above the collaborative saving plan targets are based upon business cases at different stages of development and subject to approval alongside development of detailed implementation plans over coming months. A contingency of £0.7m has been established within the 2015/16 savings plan to recognise the financial risk of delay or underachievement in the generation of these savings. In addition, in reviewing the level of general reserves a £0.5m allowance has been made to further mitigate this risk. (see Appendix C)

8.5 Costs associated with the extension of BCH collaboration to both Organisational and Operation Support are estimated in the region of £9.0m, of which Hertfordshire's share will be funded from the redundancy provision, capital programme or change reserve as appropriate. Additional revenue costs will need to be reflected in a revised budget following consideration and approval of the relevant business cases.

#### **Protective Services £1.3m 2015/16**

8.6 The BCH Camera Tickets and Collisions Unit (CTC) provides a tri-force service covering camera enforcement, central ticketing office and collisions administration. It was anticipated that CTC would be self-financing by the third year after establishment however an increase in fixed camera locations, both locally and on the strategic roads network, has had a significant impact on the number of camera detected offences being administered by the CTC resulting in increased income. In addition responsibility to prosecute guilty pleas at first hearing has been transferred to the police and associated court costs are now returned to the forces. As a result the unit has become self-financing 18 months ahead of schedule producing a saving of £0.4m to Hertfordshire in 2015/16. Work is on-going on reviewing the allocation of income and potential re-investment with partners.

8.7 A range of other savings within Joint Protective Services units totalling £0.3m will include: The creation of a dual supervisory function within the Operational Support and Dogs unit enabling the release of three police officer posts (Inspector, Sergeant & Constable) totalling £0.1m. The removal of four police staff administration posts within the Major Crime Unit and year two savings within Scientific Services from the Phase 1 restructure of the forensics imagery, identification and operational support functions, will collectively save £0.1m. The remainder of the savings relate to non-pay budgets primarily the revision of the Roads Policing fleet, Operational Support Unit equipment and a reduced VIPER contract totalling to £0.1m.

8.8 The Eastern Region Special Operations Unit (ERSOU) is a joint unit consisting of the six eastern region forces and provides a single serious and organised

crime unit across the region. The unit has recently expanded to cover a wider range of areas aligning capability with other regions at nationally prescribed levels as per the Creedon 12. The unit's gross budget will total circa £14.3m in 2015/16. The final stage of implementing currently agreed business cases was the go-live of the ERSOU Confidential, Regional Economic Crime and Prisoner Intelligence units accompanied by the resultant secondment of 36 Hertfordshire police officers to ERSOU and the TUPE of circa 30 police staff to the lead force (Bedfordshire) on October 1<sup>st</sup> 2014. The new ERSOU capability was established through the brigading of local teams from across the region and for Hertfordshire will release net savings of £0.6m, the equivalent of 7 police officer posts and 6 police staff posts. Hertfordshire's budgeted contributions in 2015/16 to the unit will be £3.0m.

### **Hertfordshire Only Savings £2.6m 2015/16**

8.9 Hertfordshire only savings have been developed across a range of budgets including the Local Policing Command, estates non-pay, vacancy factors and corporate contingencies. Where possible an emphasis has been placed on achieving efficiencies in areas that align with underspends in the current year. Overall saving proposals have a limited impact upon establishment and are consistent with the existing policing model. The key areas are:

- **Local Policing Command £0.6m 2015/16, £0.5m 2016/17.**

In the context of the overall reduction in funding and the need to place sufficient trained officers and staff in these new specialist areas (e.g. the establishment of a Safeguarding investigative hub) it is necessary to identify compensating areas where there is scope to deliver services more effectively and to free up and reallocate specialist staff resources.

In this regard it is proposed to rationalise custody provision and associated investigative functions. Work is on-going to develop proposals to meet a savings target of £0.2m in 2015/16 increasing to £0.5m in 2016/17. Further savings of £0.4m can be achieved through the merger of the Event Planning Teams (£0.2m) and targeting underspent non-pay budgets in particular fuel and travel (£0.2m).

- **Estates Non-Pay Budgets £0.8m 2015/16, £0.1m 2016/17.**

The on-going implementation of the Estates Strategy and associated disposal of under-utilised sites, and the greater use of shared partnership sites, will enable the removal of £0.8m from non-pay budgets in 2015/16. This figure includes reductions totalling £0.6m in rates, utilities and maintenance. The reduction in maintenance budgets is partly achieved through reducing the level of planned maintenance on non-strategic sites. Further savings of £0.2m result from the vacating higher cost leased sites.

- **Police Staff Vacancy Factors £0.5m 2015/16.**

Current levels of police staff turnover, forecast to be 14% by the end of 2014/15, combined with vacancies being held ahead of Organisational and Operation Support collaboration have resulted in significant underspends against police staff pay budgets in recent years. The introduction of increased vacancy factors across a range of targeted

departments will better align budgets to current spending practices as well as serving to contain future underspend pressures.

- **Contingencies - £0.7m 2015/16.**

A review of budgeted contingencies and funds across the Constabulary has identified the potential for the removal or significant reduction of these budgets which cover a range of expenditure types including operational tasking (£0.06m 2015/16) from the Crystal and Tasking and Coordination Funds, the Development Fund (£0.1m 2015/16) and Police Officer Ill-Health Retirement (£0.1m 2015/16) which will now be funded through the specific reserve. In addition the Major Incidents budget (£0.2m 2015/16) will become self-financing through budgeting for the receipt of mutual aid payments from other forces. The reduction in the OPCC Domestic budget generates savings of £0.04m (see section 9.1). Finally £0.2m in 2015/16 will be released by the removal of the change management contingency.

- 8.10 As set out in section 5.1, it is proposed that any changes in overall funding levels for 2015/16 resulting from the receipt of final settlement data from the Home Office or final confirmation of tax base and collection fund figures from district councils will be allowed for through adjusting the level of savings or use of reserves. It particular an increase or decrease in required savings for 2015/16 of up to £0.2m would be contained by a corresponding change to the level of savings in contingency budgets.

### **Staffing Impact**

- 8.11 With regard to police officer establishment numbers and taking into account the savings and investment proposals, subject to finalisation of detailed budget proposals, there will be a small reduction in the police officer budgeted establishment in 2015/16, reducing from a base figure of 1,897 (post transfer of officers to ERSOU) to 1,894. The savings proposals serve to decrease police officer numbers by 15 posts, with a compensating increase of 12 operational police officer posts from the investment proposals. With regard to actual officer numbers, as set out in section 7.15 as part of plans to boost officer numbers over the medium term through the Operational Capability reserve, it is planned that the force will seek to recruit 150 officers in 2015/16 which on the basis of current turnover projections would lead to a year-end actual position of 1,966, including all Hertfordshire officers in BCH collaborated units.
- 8.12 For police staff there will be a projected net reduction of 39 posts, with overall establishment reducing from a base figure of 1,665 (post transfer of staff to ERSOU) to 1,626. The savings serve to decrease police staff numbers by 53 posts. Just less than 70% of this projected reduction relates to changes resulting from achieving the extension of BCH collaboration in line with the projected savings targets. These figures are based on high level assumptions and will be updated following consideration of the final business cases and development of the implementation plan. The growth proposals generate a compensating increase in 14 police staff posts, focused largely in the new areas of demand (see section 7). The Operational Capability Reserve (section

4.8) will fund 7 additional temporary police staff posts within the HR department to enable the boost to police officers numbers over the medium term.

- 8.13 Alongside the changes in establishment set out in section 8.12 the force is actively recruiting PCSOs in response to turnover in the current year. We await decision from partners regarding the continuation of partner-funded PCSO posts.
- 8.14 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.

## 9 POLICE AND CRIME COMMISSIONER BUDGET

### Office of the Police and Crime Commissioner

- 9.1 The office of the Police and Crime Commissioner (OPCC) continues to be reshaped to reflect the wider requirements and the increased responsibilities of the Commissioner's role. A full permanent staffing complement has yet to be achieved which has led to an underspend in the current year. Recruitment continues and the budget requirement for 2015/16 has been set at the same level as for 2014/15. Budgets for non-pay costs have been reduced to bring the overall office budget down by 3.6% with inflationary costs absorbed in addition, leading to a total domestic budget £0.964m.
- 9.2 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

- 9.3 In 2015/16 the Commissioner will hold £2.300m of budgets to fund initiatives and enable him to meet his wider commissioning responsibilities. These are set out in table 8 below.

**Table 8 : Police and Crime Commissioner's Commissioning Budget**

	2015/16 £'m
Community Safety Fund	0.837
Commissioner's Community Fund	0.250
Victim Support Services	1.213
<b>Total</b>	<b>2.300</b>

### Community Safety Fund

- 9.4 Community safety funds will be devolved at the same level and to the same organisations in 2015/16 as in 2014/15. 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.

### Commissioner's Community Fund

- 9.5 It is proposed that a Commissioner's Community Fund of £0.250m be maintained and funded from the Commissioner's specific reserve. The reserve will be increased to include the underspend in this year's OPCC Domestic budget. The purpose of the fund will be to support local projects that contribute to the aims of the Commissioner's Police and Crime Plan. In

addition it is proposed that underspend of Drivesafe funding is carried forward for 2015/16.

- 9.6 With elections for Police and Crime Commissioner in May 2016, there is currently no on-going commitment to continue with the Community Safety Fund and Commissioner's Community Fund in the same format beyond the 2015/16 financial year.

#### Victim Funding

- 9.7 The Commissioner will hold responsibility for the commissioning of victims' services from April 2015. £1.213m has been allocated by the Ministry of Justice to provide victim services for 2015/16, which also includes 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 Ministry of Justice. The suggested apportionment of spend is £0.479m for referral and universal services (needs assessment, signposting, emotional and practical support); £0.479m for enhanced victims services (provision of specialist support such as IDVAs, ISVAs and case worker) and £0.255m for Restorative Justice. The indicative spends are not ring-fenced, as it is for the Commissioner to determine the most appropriate allocation to deliver services locally.
- 9.8 The Ministry of Justice victims services funding comes from the victims surcharge levied on offenders at Court. It should be noted that the Ministry of Justice retains responsibility for the commissioning of certain specialist victims services, such as homicide and trafficking crimes and the court based witness service.
- 9.9 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 MEDIUM TERM FINANCIAL PLAN (MTFP)**

- 10.1 This section brings together standstill, funding, precept, reserves, investment and savings assumptions into an overall Medium Term Financial Plan.
- 10.2 As set out in section 3 above, there is a good level of certainty regarding expected funding levels from central government in 2015/16. The position for 2016/17 onwards remains uncertain and will require review in the light of the first full budget of the new government post the 2015 general election. It has been assumed that grant funding will be subject to a cash reduction of 3.2% per annum up to 2018/19. This is in line with the modelling developed by ACPO nationally, alongside HMIC and Home Office. These reductions in government funding, when added to the impact of standstill pressures (section 6), the need for re-investment (section 7) and movements in the tax base and collection fund surplus, result in a gross medium term budget gap of £30.083m before the use of reserves or precept / council tax freeze grant increases.
- 10.3 It is possible to complement the Commissioner's precept policy through the use of reserves to support the budget over the medium term period, thereby enabling a phased decrease in overall spending levels so as to meet the financial challenge. A review of reserves has been undertaken (Appendix C) which highlights that overall reserves are projected at £37.6m (£5.5m general reserves plus £32.1m specific reserves) at March 2015. As set out in section 4, £8.0m of Base Budget Support Reserve has been built into Medium Term plans with a significant increase in the use of reserves in 2016/17 and the dependence on reserves reducing in subsequent years. Alongside general reserves, contingency and change reserves have been reviewed and increased providing significant flexibility to draw on resources if the overall financial position worsens.
- 10.4 Based on the planning parameters set out in the table below, the Commissioner is faced with a savings target over the next four years of £25.355m.



**Table 9 : MEDIUM TERM FINANCIAL PLAN 2015/16 to 2018/19**

	2015/16 £'m	2016/17 £'m	2017/18 £'m	2018/19 £'m	Total £'m
Increased Standstill Costs (excluding new use of reserves)	0.735	5.666	4.033	4.105	<b>14.539</b>
Base Budget Re-Investment	1.120	0.790	0.000	0.000	<b>1.910</b>
Grant Reduction	5.836	3.468	3.357	3.250	<b>15.911</b>
Council Tax Base & Collection Fund	-1.782	0.000	-0.133	-0.362	<b>-2.277</b>
<b>Gross Base Budget Gap – Excluding Use of Reserves and Council Tax Increase</b>	<b>5.909</b>	<b>9.924</b>	<b>7.257</b>	<b>6.993</b>	<b>30.083</b>
Officer Investment	0.600	2.000	1.500	1.200	<b>5.300</b>
Commissioner's Fund	0.250	0.250	0.000	0.000	<b>0.500</b>
New Use of Reserves - Budget Support - Specific	0.000 -0.850	-3.500 -2.250	-2.500 -1.500	-2.000 -1.200	<b>-8.000</b> <b>-5.800</b>
Standstill Pressure – Remove New Use of Reserves	0.000	0.000	3.500	2.500	<b>6.000</b>
<b>Budget Gap Excluding Precept / Council Tax Freeze Grant Increases</b>	<b>5.909</b>	<b>6.424</b>	<b>8.257</b>	<b>7.493</b>	<b>28.083</b>
Precept / Council Tax Freeze grant Increases of 1% per annum.	-0.682	-0.682	-0.682	-0.682	<b>-2.728</b>
<b>Budget Gap (£25.4m)</b>	<b>5.227</b>	<b>5.742</b>	<b>7.575</b>	<b>6.811</b>	<b>25.355</b>

- 10.5 The savings plan has been developed such that the impact upon local policing is minimised over the next two years and local policing capability is prioritised over the medium term. Up to 2017/18 a majority of savings are expected to come from both operational support and business support departments predominantly through collaborated savings. However in the medium term it will become necessary to adapt the Hertfordshire policing model both in terms of affordability and to reflect changing demands.

**Table 10 : High Level Savings Plan 2015/16 to 2018/19**

	<b>2015/16 £'m</b>	<b>2016/17 £'m</b>	<b>2017/18 £'m</b>	<b>2018/19 £'m</b>	<b>Total £'m</b>
Gap To Be Met By Savings	<b>5.227</b>	<b>5.742</b>	<b>7.575</b>	<b>6.811</b>	<b>25.355</b>
New BCH Collaboration Savings	1.300	4.300	4.500	0.200	<b>10.300</b>
Herts Local and Existing Collaboration Savings	3.927	1.442	3.075	6.611	<b>15.055</b>

- 10.6 Both in 2015/16 and over the medium term there is a high dependency on the collaborative BCH change programmes. In the event that these collaborative savings take longer to achieve there will be a need to take forward greater Hertfordshire internal savings and increase the planned use of reserves or level of council tax.
- 10.7 Alongside the risk that it will take longer to generate the collaborative savings, there is also the risk that it may not be possible to fully achieve the £10.3m savings target. If the Business Support and Operational Support savings underachieved by 25% then a further £2.6m of savings would need to be found from other parts of the budget including Local Policing or met from increased council tax income.

## 11 CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS

### Summary Capital Programme

- 11.1 Table 11 below shows a high level overview of the capital programme for 2015/16 to 2018/19, with further details set out in Appendix E. The table sets out a programme totalling £6.331m of new expenditure in 2015/16 and a total of £22.518m up to 2018/19. The four year programme will be funded from general capital grant of £5.424m and capital receipts of £16.994m.
- 11.2 Table 11 also includes a memorandum column '2015/16 Gross' which shows the total of new capital expenditure plus expected slippage from 2014/15 and sets out a total planned level of capital expenditure in 2015/16 of £8.626m. A review of the 2014/15 forecast capital programme has been undertaken and a total of £4.069m has now been removed. A significant proportion of capital budget removed in 2014/15 has arisen where schemes have received allocations from the Police Innovation Fund subsequent to the 2014/15 budget setting process, which has freed up resources. Slippage is currently forecast to total £2.295m, including Headquarters firing range (£0.774m), mobile data equipment (£0.400m), potential collaborative IT developments (£0.150m), and other IT work (£0.929m).
- 11.3 The capital programme incorporates funding for feasibility work relating to the review of custody facilities in the west of the county. A feasibility study is currently being undertaken, meaning that detailed costs are not known at this time and no further budget has been included within the attached programme. At this stage it is expected that the cost of the development can be contained within projected capital receipts and internal borrowing over the medium term.

**Table 11: Proposed Capital Programme 2015/16 - 2018/19**

<b>Planned Expenditure</b>	<b>2015/16 Gross £'m</b>	<b>2015/16 New £'m</b>	<b>2016/17 New £'m</b>	<b>2017/18 New £'m</b>	<b>2018/19 New £'m</b>	<b>Total New £'m</b>
Estate Programme	2.415	1.599	0.565	0.465	0.465	<b>3.094</b>
IS Strategy And ICT Investment	3.986	2.507	3.015	4.145	0.795	<b>10.462</b>
Fleet	1.502	1.502	1.547	1.524	1.497	<b>6.070</b>
Technical And Specialist Equipment	0.573	0.573	0.573	0.573	0.573	<b>2.292</b>
Collaboration	0.150	0.150	0.150	0.150	0.150	<b>0.600</b>
<b>Total Capital Programme</b>	<b>8.626</b>	<b>6.331</b>	<b>5.850</b>	<b>6.857</b>	<b>3.480</b>	<b>22.518</b>
Funded By:						
Capital Grant	1.356	1.356	1.356	1.356	1.356	<b>5.424</b>
Use Of Drugs Fund	0.100	0.100	-	-	-	<b>0.100</b>
Use Of Capital Receipts	7.170	4.875	4.494	5.501	2.124	<b>16.994</b>
<b>Total Capital Funding</b>	<b>8.626</b>	<b>6.331</b>	<b>5.850</b>	<b>6.857</b>	<b>3.480</b>	<b>22.518</b>

## Prudential Indicators

### A - Capital Programme

- 11.4 Table 11, above, sets out a four year capital programme for 2015/16 to 2018/19 in respect of new capital schemes totalling £22.518m which together with the estimated slippage from 2014/15 of £2.295m, will result in total capital spending across the four year period of £24.813m. The yearly capital programme, including slippage, is set out in table 12 below.

**Table 12: Prudential Indicator – Estimates of Capital Expenditure**

	2015/16 £'m	2016/17 £'m	2017/18 £'m	2018/19 £'m
Capital Programme	8.626	5.850	6.857	3.480

### B - Capital Financing

- 11.5 With regard to funding the 2015/16 Capital Programme, the provisional settlement from the government indicates that general capital grant will be in line with 2014/15 at circa £1.356m in 2015/16 and it has been assumed that funding will be at a similar level for the following three years. At this point in time no further reduction in capital grant has been assumed for 2015/16 onwards. The balance of capital funding will be provided from the application of capital receipts arising from the disposal of surplus properties. Table 13 below sets-out the funding plan for the next four years.

**Table 13: Capital Financing – Estimates for 2015/16 to 2018/19**

	2015/16 £'m	2016/17 £'m	2017/18 £'m	2018/19 £'m
Capital Grant	1.356	1.356	1.356	1.356
Capital Receipts	7.170	4.494	5.501	2.124
Force Drugs Fund	0.100	-	-	-
<b>Total Capital Financing</b>	<b>8.626</b>	<b>5.850</b>	<b>6.857</b>	<b>3.480</b>

### C - Capital Receipts Reserve

- 11.6 Table 14 below summarises the planned generation and use of capital receipts over the next four years. It is planned that capital receipts will continue to be generated through the Estates Strategy and on-going disposal of police houses as these become vacant.

**Table 14: Capital Receipts – Estimates for 2015/16 to 2018/19**

	2015/16 £'m	2016/17 £'m	2017/18 £'m	2018/19 £'m
1 <sup>st</sup> April Balance	14.883	8.413	10.619	8.568
Capital Receipts	0.700	6.700	3.450	2.700
Planned Use	-7.170	-4.494	-5.501	-2.124
<b>31<sup>st</sup> March Balance</b>	<b>8.413</b>	<b>10.619</b>	<b>8.568</b>	<b>9.144</b>

- 11.7 At this stage it has been assumed that the sale of vacant police houses will generate, on average, a total of £0.700m per annum, totalling £2.800m over the four year period. In addition, it is assumed that capital receipt income totalling £10.750m will be generated in the medium term via disposals of sites as part of the Estates Strategy. The capital programme assumes that all of these capital receipts will be available to fund capital expenditure and therefore avoid the need for further borrowing. Work is currently being progressed to review the benefit of retaining ownership of surplus sites in order to maximises their value through the generation of on-going revenue income streams rather than one-off capital receipts. This work is at an early stage and so no income projection has been included within the medium term financial plan.

#### **D - Capital Financing Requirement and Minimum Revenue Provision.**

- 11.8 The Capital Financial Requirement (CFR) represents the level of capital investment that is not financed by grant, capital receipts or revenue contribution and which therefore needs to be financed either by external borrowing or internal borrowing through the use of cash balances. The resultant borrowing costs or reduced interest on balances fall on the revenue account. In addition, funding capital spend through the CFR attracts a statutory annual revenue charge known as Minimum Revenue Provision (MRP), the aim of which is to set cash aside in order to ensure the Commissioner has the funds to repay outstanding principal or replenish internal cash balances. Each year the Commissioner is required to set a policy as to the approach he will take in making MRP. For 2014/15 the Commissioner agreed to adopt Option 3, the Asset Life Method which was recommended by the Commissioner's Treasury Managers and it is recommended that this approach be continued by the Commissioner in making MRP in 2015/16. Appendix F sets out a summary of the background and options.
- 11.9 As a consequence of the availability of alternative sources of capital financing; capital grants, usable capital receipts and revenue contributions to capital outlay, funding of the capital programme set out in table 11 for 2015/16 and the subsequent three years is not reliant upon charging expenditure to the CFR and a corresponding need to raise external loans. The profile of CFR across the current asset portfolio results in the requirement to make MRP at £0.704m per annum in each of the next four years.

11.10 For 2014/15 the forecast level of CFR is £23.019m, reflecting both internal borrowing and £18.000m of external debt, required to support the capital programme. This figure is some £7.000m below the budget of £30.019m set in February 2014. This improved position reflects Voluntary Revenue Provision (VRP) made during 2014/15 totalling £7.000m following a review of the Commissioner's cash balances in November 2014, which has resulted in an on-going revenue savings of £0.200m per annum and is reflected in the standstill budget (section 6.8). CFR for 2015/16 is estimated at £22.319m. The CFR resulting from the proposed 4 year Capital Programme is set out in table 15 below.

**Table 15: Prudential Indicator – Estimates of Capital Financing Requirement**

2014/15 Budget (Revised) £'m	2014/15 Forecast Outturn £'m		2015/16 £'m	2016/17 £'m	2017/18 £'m	2018/19 £'m
30.019	23.019	Capital Financing Requirement	22.319	21.611	20.907	20.203

**E - Ratio of financing costs to net revenue stream**

11.11 The code requires the affordability of the proposed Capital Programme to be considered to provide an indication of its impact upon the overall finances of the Commissioner. The estimates of financing costs include interest payable on external borrowing, investment interest earned by the Commissioner on cash balances and the minimum revenue provision charged to the revenue account. Table 16 below shows the estimated financing costs and resultant ratio for the next 4 years.

**Table 16: Prudential Indicator – Ratio of financing costs to net revenue stream**

2014/15 Budget £'m	2014/15 Forecast Outturn £'m		2015/16 £'m	2016/17 £'m	2017/18 £'m	2018/19 £'m
0.779	0.779	Interest Payable on External Borrowing	0.779	0.779	0.779	0.779
(0.236)	(0.310)	Investment Interest	(0.616)	(0.642)	(0.782)	(0.820)
0.904	7.904	Revenue Provision	0.704	0.704	0.704	0.704
<b>1.447</b>	<b>8.373</b>	<b>Total Financing Costs</b>	<b>0.867</b>	<b>0.841</b>	<b>0.701</b>	<b>0.663</b>
<b>0.78%</b>	<b>4.51%</b>	<b>Ratio</b>	<b>0.48%</b>	<b>0.47%</b>	<b>0.40%</b>	<b>0.38%</b>

11.12 Table 16 shows that in 2014/15, the forecast outturn ratio is higher than budgeted as a result of the £7.000m VRP set out in section 11.10 and increased interest earned on investments as cash balances have risen during the year and investment yields have increased through placing longer term investments.

11.13 In 2015/16 the budgeted total financing costs included in the revenue budget proposals will be £0.867m which amount to 0.48% of the net revenue stream. The 2015/16 ratio represents a reduction on the budgeted 2014/15 ratio of 0.78% reflecting increased investment income and the £0.200m and a reduction in MRP as set out in section 6.8 above. Looking forward, budgeted revenue costs over the medium term are forecast to decrease from 2015/16 onwards as a result of increased investment income in line with forecast increases to interest rates.

### **F- Incremental Impact on Council Tax**

11.14 This prudential indicator identifies the incremental cost of changes in the proposed capital programme compared to the Commissioner's existing capital programme agreed in February 2014. Table 17 below shows that there is a decreasing impact on council tax over the medium term as the capital financing costs set out in table 16 continue to fall (section 11.13). This position reflects that the proposed capital programme can be funded without the need to borrow and as a result no additional capital financing costs will be incurred over the medium term period.

**Table 17: Prudential Indicator – Estimates of the Incremental Impact of New Capital Investment Decisions on the Council Tax**

<b>2014/15 Budget £'m</b>	<b>2014/15 Forecast Outturn £'m</b>		<b>2015/16 £'m</b>	<b>2016/17 £'m</b>	<b>2017/18 £'m</b>	<b>2018/19 £'m</b>
0.00	14.35	Change in Council Tax Band D	-1.37	-0.06	-0.33	-0.09

### **G - Average Cash Balances**

11.15 Based on the capital programme set out above and the reduction in the balance of reserves as they are drawn upon as set out in section 4, the Commissioner's average cash balances are expected to reduce over the medium term as the on-going capital programme continues to draw on capital receipts for funding. Forecast cash balances for 2014/15 are higher than budgeted due to the revenue underspend.

**Table 18: Average Cash Balances**

2014/15 Budget £'m	2014/15 Forecast Outturn £'m		2015/16 £'m	2016/17 £'m	2017/18 £'m	2018/19 £'m
49.9	59.6	Average Cash Balances	57.5	48.6	39.3	31.6

**H - Borrowing Limits**

11.16 As part of the prudential rules, the Commissioner needs to set formal borrowing limits for:

**1) The Authorised Limit** - This represents the limit beyond which borrowing is prohibited, and needs to be set and revised by the Strategic Executive Board. It reflects the level of borrowing which, whilst not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. The table below shows that the Commissioner will not breach the Authorised limit in 2014/15. The suggested limit for 2015/16 is £20.8m and is intended to allow the Commissioner to take advantage of alternative capital financing approaches such as leasing, should these provide better value for money. Table 19 sets out the proposed Authorised Limit over the next four years.

**Table 19: Prudential Indicator – Authorised Limit for External Debt**

2014/15 Budget £'m	2014/15 Forecast Outturn £'m		2015/16 £'m	2016/17 £'m	2017/18 £'m	2018/19 £'m
19.8*	18.0	Borrowing + 10%	19.8*	19.8*	19.8*	19.8*
1.0	0.0	Other Long Term Liabilities	1.0	1.0	1.0	1.0
<b>20.8</b>	<b>18.0</b>	<b>Total</b>	<b>20.8</b>	<b>20.8</b>	<b>20.8</b>	<b>20.8</b>

\* Expected actual borrowing plus 10% margin as at 31<sup>st</sup> March 2015

**2) The Operational Boundary** – This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached. Over the medium term it is anticipated the Commissioner will not enter into any additional borrowing and the operational boundary will be £18.0m for



2015/16 and the subsequent three years. Table 20 sets out the proposed Operational Boundary for the next four years.


**Table 20: Prudential Indicator - Operational Boundary**


<b>2014/15 Budget £'m</b>	<b>2014/15 Forecast Outturn £'m</b>		<b>2015/16 £'m</b>	<b>2016/17 £'m</b>	<b>2017/18 £'m</b>	<b>2018/19 £'m</b>
18.0	18.0	Borrowing	18.0	18.0	18.0	18.0
-	-	Other long term liabilities	-	-	-	-
<b>18.0</b>	<b>18.0</b>	<b>Total</b>	<b>18.0</b>	<b>18.0</b>	<b>18.0</b>	<b>18.0</b>

**I - Prudential Indicator – Gross Borrowing and Capital Financing Requirement Indicator**

11.17 The Prudential Code requires that the Commissioner ensures that over the medium term, gross borrowing will only be for a capital purpose. This is the key indicator of prudence. The Commissioner needs to ensure that gross external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for 2015/16 and the next two financial years. The proposed Capital Programme and financing of the programme meets this requirement.

Authors:

James Hurley - Director of Resources  
 01707 354504

Mike Jarvis - Head of Finance  
 01707 354241

## GROSS BUDGET 2014/15

	2014/15 Gross Budget £'m
<b>Local Policing Command</b>	<b>84.4</b>
<b>Community Safety and Crime Reduction</b>	<b>9.6</b>
<b>Protective Services</b>	
Regional and BCH Uniformed (Road Policing, Major Crime Unit)	10.8
BCH & Regional Non-Uniformed (CT&DE, Major Crime, PSD, ERSOU)	14.7
Protective Services	7.3
<b>Total Protective Services</b>	<b>32.8</b>
<b>Operational Support</b>	
Contact Management	10.7
Criminal Justice Department	10.3
Other (Camera Tickets Collision, Firearms Licensing, HCJB)	2.1
<b>Total Operational Support</b>	<b>23.1</b>
<b>Business Support</b>	
Estates and Facilities Department	8.7
HR (Including Training)	6.9
ICT	8.7
Corporate Services	3.2
Other (Finance, Collaboration, Procurement, Legal)	5.3
<b>Total Business Support</b>	<b>32.8</b>
<b>Corporate Budgets</b>	
Pensions	0.9
Capital Finance	1.7
Other	6.6
<b>Total Corporate Budgets</b>	<b>9.2</b>
<b>Police and Crime Commissioner</b>	
Office	1.0
Commissioning Budget	1.7
<b>Total Office of the Police and Crime Commissioner</b>	<b>2.7</b>
<b>Total Gross Budget</b>	<b>194.6</b>

**2014/15 REVENUE OUTTURN**

- B1.1 Police Officer pay is projected to underspend by £2.8m (2.8%). This underspend is predominantly due to the impact of higher than projected turnover (£1.9m), combined with lower average rates of officer pay (£0.4m) following the recommencement of officer recruitment last year. Savings in police officer pay from the brigading of services into ERSOU saved a further £0.5m.
- B1.2 The Constabulary is working actively to increase actual officer numbers aiming to recruit up to 138 FTE new recruits in 2014/15 as well as putting in place plans to increase officer numbers above budgeted establishment over the medium term (see section 4.8).
- B1.3 It is projected that Police Staff budgets will underspend by £2.2m, largely due to restrictions on recruitment particular in areas subject to forthcoming BCH collaboration and continued high levels of turnover. Alongside this, the Constabulary is actively recruiting Force Control Room staff and PCSOs in response to turnover in the current year. Finally the expansion of ERSOU has resulted in savings on police staff totalling £0.4m.
- B1.4 Non-pay budgets are forecast to underspend in total by £3.3m. As set out in section 6.2, a rebasing exercise was undertaken which identified £2.7m of resources that could be removed from the 2015/16 budget to offset standstill pressures, of which £1.4m have been ring-fenced within the forecast outturn. The Constabulary continues to seek to maximise in-year non-pay savings in order to protect frontline policing roles and in doing so has generated significant savings through estates rationalisation totalling £0.6m. Other areas of non-pay underspend include the offsetting of spend pressures for Hertfordshire's share of the BCH Change Team due to the receipt of Innovation Fund grant (£0.5m) and Hertfordshire's share of additional income generated by the Camera Tickets and Collisions Units (£1.0m).
- B1.5 The forecast outturn position has removed the need to draw on reserves during 2014/15, reducing the overall underspend by £1.1m.
- B1.6 Based upon November monitor figures it is projected that outturn expenditure will be £7.2m (3.9%) below budget, resulting in a significant strengthening of reserve balances. The projected underspend figure is reflected in the estimated level of reserves as at 31<sup>st</sup> March 2015 set out in section 4.

**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 £5.450m (3.0% of the 2015/16 budget) would be adequate for the 2015/16 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 (£1.2m), business continuity (£0.5m), the non-achievement of savings (£0.5m), local support for council tax (£0.3m) and delays in the generation of capital receipts (£0.2m).

C1.3 The figure of £5.450m is an increase of £0.610m on last year and reflects the risk of savings underachievement on new BCH collaboration savings within both Operational and Organisation Support areas, for which business cases are yet to be agreed, partially offset by the potential for underspends arising from police staff turnover and income arising from the Camera Tickets and Collisions unit.

**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 2014/15.

<b>Proposed Estimated Level of Specific Reserves</b>	<b>31<sup>st</sup> March 2015 £'m</b>	<b>31<sup>st</sup> March 2016 £'m</b>
Base Budget Support	8.000	8.000
Change Reserves	11.800	8.800
Operational Capability Reserve	7.000	6.400
Carry Forward Reserve	1.006	0.000
Commissioner’s Reserve	0.798	0.548
Insurance Fund	0.423	0.423
Ill-Health Early Retirement	0.100	0.100
Estates Rationalisation Reserve	0.084	0.084
Police Property Act Fund (Resolved)	0.804	0.604
Force Drugs Fund	0.128	0.128
Unconditional Funding Reserve	2.003	1.803
<b>Total Specific Reserves</b>	<b>32.146</b>	<b>26.890</b>

### **C3 Review of Reserves**

C3.1 The Chief Financial Officer notes that Hertfordshire's overall reserves as at 31<sup>st</sup> March 2014 are in line with the shire average of £33.47 per capita.

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

- The expected level of all reserves as at the 31<sup>st</sup> March 2015 will be £37.596m, including £5.450m of general reserves.
- The Commissioner should plan on the assumption of the need to retain £5.450m (3.0% of the 2015/16 net budget) as a minimum prudent balance in general reserves for the 2015/16 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 £8.000m on reserves to support the budget over the medium term
- That £11.800m 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, as well as implementation costs associated with Hertfordshire only change programmes over the next three years.
- That £7.0m of the Change Reserves be transferred to establish an Operational Capability Reserve to maintain officers numbers above budgeted establishment over the medium term (see section 4.8).

### **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 has been 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 2015/16 budget are:

- Delivering the planned level of savings. However, it should be noted that approximately 70% of the proposed budget savings are completed and reflected in the current year's forecast revenue outturn position.
- The 2015 savings plan is dependent upon £1.3m of savings from new BCH collaborations. Achieving the required outcomes from collaboration with other forces represents a risk, however, the ability to draw on the increased level of 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.
- 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 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, significant progress has already been achieved in implementing the savings.

**2015/16 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
<b>D</b>	<b>£68,001 to £88,000</b>	<b>£147.82</b>
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

**Indicative Precept Amount Required From the District Councils\***

	<b>£</b>
Borough of Broxbourne	4,974,867.32
Dacorum Borough Council	8,008,311.10
East Hertfordshire District Council	8,340,810.02
Hertsmere Borough Council	5,761,432.32
North Hertfordshire District Council	7,044,273.18
St Albans District Council	8,782,134.02
Stevenage Borough Council	3,747,318.30
Three Rivers District Council	5,492,428.01
Watford Borough Council	4,553,533.02
Welwyn Hatfield District Council	5,744,965.17
<b>Total Precept</b>	<b>62,450,072.46</b>

\* 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 - £1.599m**

- 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.
- E1.2 The strategy incorporates benefits arising from the planned disposal of specific properties. Disposals planned for 2015/16 currently include North Watford Police Station, as well as the on-going sale of housing stock as it becomes vacant, thereby reducing estate running costs (see section 8.9). In addition, opportunities are currently being explored with partners to generate revenue income from the former Borehamwood Police Station site and St Albans Police Station following relocation to St Albans District Council Civic Offices in April 2015.
- E1.3 Table E1 below summarises the resulting programme of estate developments and minor works:

**Table E1: Estate Programme**

<b>Planned Expenditure</b>	<b>2015/16 £'m</b>	<b>2016/17 £'m</b>	<b>2017/18 £'m</b>	<b>2018/19 £'m</b>	<b>Total £'m</b>
Estate Support Costs	1.284	0.250	0.150	0.150	<b>1.834</b>
Minor Works	0.315	0.315	0.315	0.315	<b>1.260</b>
<b>Total</b>	<b>1.599</b>	<b>0.565</b>	<b>0.465</b>	<b>0.465</b>	<b>3.094</b>

Estate Support Costs (£1.284m / Slippage £0.816m)

- E1.4 A provision of £0.400m has been established for expenditure arising from the review of custody provision. Other planned investment during the year includes the proposed 100m eight lane firing range on the Headquarters site for which a business cases will be developed in the new financial year. It is anticipated that existing slippage of £0.774m will be brought forward from 2014/15, and that this will be augmented by new funding of £0.634m to give a total budget of £1.400m, in line with expected costs. Rental costs for use of the range will be charged across BCH and will form a revenue income stream.
- E1.5 In addition, an allowance of £0.100m has been made to meet the cost of feasibility work on further partnership presence co-location or other site sharing opportunities should they arise. Funding of any such developments would be subject to a feasibility assessment.



Minor Works (£0.315m / Slippage Nil)

E1.6 Planned minor works for 2015/16 include a schedule of energy and sustainability improvements (£0.115m), replacement of boilers and energy controls (£0.075m), and other work to include air conditioning, electrical systems and restroom refurbishment (£0.125m).

**E2 Information Communication Technology (ICT) Investment Programme - £2.507m**

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 2015/16 have been identified, although business cases will be required before these are progressed to ensure investment is made wisely. 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 2015/16 ICT programme has been developed in light of the review, challenge and removal of £3.605m from the 2014/15 programme and proposed slippage of £1.479m from 2014/15. This review and re-phasing better reflects the anticipated spending capability of the department to support the organisation's needs and the impact of BCH Innovation Funding received subsequent to the development of the 2014/15 programme.

E2.3 The following key themes have been considered when setting the IS Strategy for 2015/16 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.

**Table E2: ICT Investment Programme**

<b>Planned Expenditure</b>	<b>2015/16 £'m</b>	<b>2016/17 £'m</b>	<b>2017/18 £'m</b>	<b>2018/19 £'m</b>	<b>Total £'m</b>
ICT Information Systems	0.395	1.880	0.590	0.220	<b>3.085</b>
ICT Infrastructure	0.805	0.550	0.950	0.450	<b>2.755</b>
ICT Communications / Airwave	0.150	0.125	2.605	0.125	<b>3.005</b>
Collaboration Work Streams	1.157	0.460	-	-	<b>1.617</b>
<b>Total</b>	<b>2.507</b>	<b>3.015</b>	<b>4.145</b>	<b>0.795</b>	<b>10.462</b>

**ICT Information Systems (£0.395m / Slippage £1.099m)**

- E2.4 Mobile Data (Nil / Slippage £0.379m)** – The Constabulary has recently undertaken a large scale investment in its mobile data capability. This included investment in vehicle based Toughpads, middle manager solutions to facilitate mobile working and handheld devices. Innovation Grant was received from the Home Office enabling the removal of capital resources totalling £0.904m as part of the review of 2014/15 capital expenditure (section E2.2). Work in 2015/16 will focus on the fitting of initial ANPR equipment into up to 100 intervention vehicles, as well as new mobile data equipment in replacement vehicles.
- E2.5 Athena (Nil / Slippage £0.295m)** - The Athena programme provides a single system to replace legacy applications such as custody and intelligence systems. Work is being carried out jointly by seven eastern region forces, and training for the system is expected to commence in Hertfordshire from late 2015.
- E2.6 RIPA (Regulation Of Investigatory Power Act) (£0.150m)** – This system will support the administration of the RIPA process, providing workflow style management of tasks. The system will replace the existing application which will shortly reach the end of its operational life.
- E2.7 ANPR (£0.095m / Slippage £0.245m)** – Planned work includes the replacement and modernisation of existing ANPR cameras, as well as the identification and equipping of appropriate new sites. In addition, ANPR kit will be upgraded and fitted to a number of vehicles.
- E2.8 Forensic Image Linking And Management (Nil / Slippage £0.180m)** – The FILM database enables effective storage, labelling, and retrieval of images used for investigations and evidence. Images may come from a variety of sources, such as CCTV, body worn videos, or custody cameras.

**E2.9 Other Projects (£0.150m)** – Other work will be around the development of small IS systems (£0.150m)

**ICT Infrastructure (£0.805m / Slippage £0.280m)**

**E2.10 Microsoft Enterprise Agreement (£0.250m)** – This is the third and final year of a three year agreement to re-licence the Microsoft suite of products, such as Excel and Word.

**E2.11 PC / Printer Replacement Programme (£0.220m)** – The force will continue to replace desktop computers and printers on a four to five year cycle. Many items will now be replaced by more flexible devices, such as laptops and tablets. These flexible devices tend to have a higher cost, meaning that additional and more cost effective investment is needed.

**E2.12 Network Servers (Nil / Slippage £0.130m)** – Investment in 2015/16 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.

**E2.13 Platform Development (£0.120m / Slippage £0.150m)** – 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.

**E2.14 Desktop Software, Outlook, Exchange etc (£0.100m)** – Continuing investment is needed to provide a single email exchange system across BCH.

**E2.15 Other Infrastructural Work (£0.115m)** – Other planned work includes CJX development (£0.100m), and printer replacement programme (£0.015m)

**ICT Communications (Including Airwave) (£0.150m / Slippage Nil)**

**E2.16 Airwave Terminal Replacement / Refresh (£0.045m)** – A number of damaged or defective handheld Airwave radios will need to be replaced each year until Airwave is replaced by the new emergency services network, which is expected to be operational in 2018. A sum has been set aside in the medium term plan for a major radio purchase plan in 2017/18.

**E2.17 Other Communications Work (£0.105m)** – Other communication expenditure will include telephony systems (£0.065m) and automatic call distribution (£0.040m).

**Collaboration Work Streams (£1.157m / Slippage £0.150m)**

**E2.18 ICT Enterprise Architecture Work (£0.650m)** – This work will play a key role in the provision of a single BCH ICT department. Developments will allow further collaborated work through the provision of single BCH ICT infrastructure, as well improving areas such as software delivery, single logins, and password management.

**E2.19 Enterprise Resource Planning (ERP) System (£0.350m)** – The purchase of a single integrated finance and HR system is key in providing more efficient services across BCH. A bid for grant funding has been made to the Police Innovation Fund, with the use of existing reserves also being an option..

**E2.20 Integrated Command and Control System (ICCS) Replacement (Nil / Slippage £0.150m)** – The ICCS system provides control room staff with additional information when dealing with calls, such as addresses and links with other agencies. The Herts ICCS has a limited remaining life, although it may be possible to extend the use of another ICCS across BCH. Longer term investment will be further influenced by decisions within the national emergency services mobile communications programme (ESMCP).

**E2.21 Network Servers (£0.100m)** – Work is planned for the provision of an intrusion protection system (IPS). This will provide protection for force servers, and is particularly important as Herts hosts the STORM command and control system.

**E2.22 ICT Service Management (£0.057m)** – Investment is needed to provide a joint BCH ICT customer service system, providing workflow management of computer faults and incidents.

**E3 Fleet - £1.502m**

**E3.1** The force is currently operating a fleet of 551 vehicles, and has a rolling replacement programme based on vehicle age, condition and mileage. Vehicles are typically replaced every five to six years, 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** The Hertfordshire fleet replacement programme for 2015/16 has been set at £1.502m.

**Table E3: Fleet Replacement Programme**

<b>Planned Replacement</b>	<b>2015/16 £'m</b>	<b>2016/17 £'m</b>	<b>2017/18 £'m</b>	<b>2018/19 £'m</b>	<b>Total £'m</b>
Hertfordshire Fleet	1.446	1.493	1.484	1.453	<b>5.876</b>
ERSOU Fleet (Hertfordshire Share)	0.056	0.054	0.040	0.044	<b>0.194</b>
<b>Total</b>	<b>1.502</b>	<b>1.547</b>	<b>1.524</b>	<b>1.497</b>	<b>6.070</b>

**Table E4: Fleet Replacement Numbers**

<b>Planned Replacement</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>Total</b>
Hertfordshire Fleet	90	99	95	95	<b>379</b>
ERSOU Fleet (Hertfordshire Share)	3	3	3	3	<b>12</b>
<b>Total</b>	<b>93</b>	<b>102</b>	<b>98</b>	<b>98</b>	<b>391</b>

**E4 Technical and Specialist Equipment - £0.573m**

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**

<b>Planned Expenditure</b>	<b>2015/16 £'m</b>	<b>2016/17 £'m</b>	<b>2017/18 £'m</b>	<b>2018/19 £'m</b>	<b>Total £'m</b>
Technical Support Unit - Hertfordshire	0.100	0.100	0.100	0.100	<b>0.400</b>
Joint Protective Services	0.133	0.133	0.133	0.133	<b>0.532</b>
Specialist Equipment	0.140	0.140	0.140	0.140	<b>0.560</b>
Capital Challenge Fund	0.200	0.200	0.200	0.200	<b>0.800</b>
<b>Total</b>	<b>0.573</b>	<b>0.573</b>	<b>0.573</b>	<b>0.573</b>	<b>2.292</b>

E4.2 Technical Support Unit (£0.100m) – Investment in 2015/16 will continue to focus on new and improved technology, and the rolling replacement of basic stock. This is expected to include Hi-Tech crime unit equipment, surveillance computer system, Local Policing Command trap assets, and audio probes and cameras.

E4.3 Joint Protective Services (£0.133m) – This will primarily be used for the replacement of specialist forensic and scientific equipment, and to pilot new kit to help maximise future tri-force efficiencies. The amount indicated represents Herts' share of the overall anticipated cost.

E4.4 Specialist Equipment (£0.140m) - The use of this will be strictly controlled, and benefits arising from this investment will be assessed before funding is committed.

E4.5 Capital Challenge Fund (£0.200m) – this fund is to meet in year requirements identified through a bidding process assessed by the Chief Officer team to ensure that investment is in line with Police and Crime Plan objectives.

**E5 Collaboration - £0.150m**

E5.1 Provision is included for further collaborative working with Bedfordshire, Cambridgeshire and other forces. This will include accommodation costs as well as vehicles and other specialist equipment needs as they arise.

**Table E6: Collaboration Capital Costs**

<b>Planned Expenditure</b>	<b>2015/16 £'m</b>	<b>2016/17 £'m</b>	<b>2017/18 £'m</b>	<b>2018/19 £'m</b>	<b>Total £'m</b>
Collaborative Working	0.150	0.150	0.150	0.150	0.600
<b>Total</b>	<b>0.150</b>	<b>0.150</b>	<b>0.150</b>	<b>0.150</b>	<b>0.600</b>

**MINIMUM REVENUE PROVISION POLICY 2015/16**

**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 2015/16 on his 2014/15 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 2015/16.