

Police and Crime Commissioner

for Hertfordshire

MEETING	POLICE AND CRIME PANEL
DATE	23rd January 2014
TITLE	The Police and Crime Commissioner's 2014/15 Precept and Budget Proposal
SUBMITTED BY	The Police and Crime Commissioner

1. SUMMARY

- 1.1 In-line with the requirements of the Police and Social Responsibility Act 2011, the purpose of this paper is to present to the Police and Crime Panel the Commissioner's precept proposal for 2014/15. The PCC 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 as well as provisional tax base information from district councils. We expect final information in late January / early February. This report sets out how any movements in final grant funding or council tax income will be managed through increasing or reducing the proposed level of reserves. Any changes to the funding settlement and tax base will be reported at the February meeting alongside any further information that is required in concluding the scrutiny of the Commissioner's proposed budget and council tax precept for 2014/15.
- 1.3 The paper sets out how the approach to the precept supports both the 2014/15 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 (2014/15 – 2017/18) the Office of Police and Crime Commissioner will face a funding gap, before the use of reserves, of some £31.1m or 16% of the existing £198.1m gross revenue budget. This arises from a forecast grant reduction (partially offset by increased council tax base and collection fund income) of £12.9m and spending pressures of a further £18.2m. This gap is lower than was projected

in the Commissioner's Open Letter, and takes into account the recent announcement by DCLG that existing Council Tax freeze grant (2011/12, 2013/14) has been built into the grant settlement for future years and that 2014/15 freeze grant should be built into the funding review baseline and thereby provides Hertfordshire with up to a further £3.0m of on-going funding. As set out in the Commissioner's Open Letter the funding gap generates the need for a medium-term financial strategy. This encompasses challenging efficiency savings in business and operational support areas, the proportionate use of reserves and the option to increase precept from 2015/16. This approach is designed to enable a continued focus on resourcing local policing.

1.5 Building on the medium-term financial strategy, the key issues in constructing the 2014/15 budget have been:

- A reduction in underlying Home Office grant funding of £5.757m.
- The standstill spending pressures of £2.962m.
- The investment of £1.068m in Constabulary budgets.
- A well developed savings programme totalling £7.097m in 2014/15.
- Additional income of £0.769m from growth in the council tax base and collection fund.
- The use of £1.250m of reserves to support the budget in 2014/15.
- The proposal to freeze the Band D Council Tax and accept the 2014/15 Council Tax Freeze grant estimated at £0.671m.

1.6 As set out in section 1.4 above, although a number of budgetary pressures have been identified, the Chief Constable considers that they can be accommodated with the proposed 2014/15 budget. He considers that the proposed level of resourcing should prove sufficient to enable the Constabulary to address known or anticipated crime threats and also support the Commissioner's Police and Crime Plan.

1.7 Table 1 below sets out the movement in net budget between 2013/14 and 2014/15 in terms of the key areas of change, and the resulting Council Tax Requirement.

Table 1 : Movement in Net Budget 2013/14 to 2014/15

	£'m
Net Budget 2013/14	181.845
Inclusion of 2013/14 Council Tax Freeze and Support Grants into Net Budget	7.255
Inclusion of Community Safety Fund Grant into Net Budget	0.837
Standstill Pressures	2.962
New Victims Legislative Responsibilities	0.603
Ministry of Justice (MoJ) Specific Grant Funding	-0.603
Investment	1.068
Use of Reserves	-1.250
Savings	-7.097
Net Budget 2014/15	185.620
Less Home Office Settlement Grants	-123.761
Less Collection Fund Surplus	-0.409
Council Tax Requirement 2014/15	61.450

1.8 The report sets out the following information:

- Section 2: Policing Plan, Performance Context And Financial Baseline
- Section 3: Funding Settlement
- Section 4: Standstill Budget
- Section 5: Investment Pressures
- Section 6: Proposed Approach To Precept, Reserves and Medium Term Financial Plan (MTFP)
- Section 7: Savings Proposals
- Section 8: Police and Crime Commissioner Budget
- Section 9: Capital Programme and Prudential Indicators

2. POLICING 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 sure 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 will take responsibility for overseeing Victim Services as part of his wider commissioning role. See section 8.3 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 In terms of recorded crime, 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 and there continues to be a reduction in most crime types, although the level of reduction is now slowing.

2.5 So far in the current performance year there has been a -6.6% (-2,763 offences) reduction in crime (39,090 offences compared 41,853 offences reported by this time last year) despite growing demands in particular areas including Cybercrime, Child Exploitation and the increase in the reporting of Serious Sexual Offences following the publicity around Operation Yewtree.

2.6 Performance for the year as at the start of January 2014 shows:

- Anti-social behaviour had reduced by 29.7% (8,183 fewer incidents).
- Burglary dwelling had reduced by 4.4% (101 fewer crimes), the Constabulary is 6th in its MSF.
- Theft from Motor Vehicles had risen slightly by 1.6% (51 more crimes), the Constabulary is 4th in its MSF.
- Violence against the Person (victim-based) offences had reduced by 2.1% (134 fewer offences), the Constabulary is 1st in its MSF.
- Criminal Damage, one of the highest volume crimes types, had seen a 13.2% decrease (870 fewer crimes), the Constabulary is 1st in its MSF.

- Theft Other offences had also seen a decrease of 12.1% (655 fewer offences) for which there is no published MSF data.
- Personal Robbery had fallen by 1.0% (3 fewer crimes), the Constabulary is 2nd in its MSF.
- Domestic Violence offences had increased by 11% (306 more offences reported) for which there is no published MSF data.
- Thefts from Shops had increased by 3.6% (145 more crimes), the Constabulary is 1st in its MSF
- The Constabulary's detection rate sat at 37.41%, slightly down from last year's highest ever recorded rate of 39.4%. The Constabulary is 1st amongst its MSF Group for Victim-Based Detections and 4th for both Non-Victim-Based and Comparative Crime (formerly BCS) detections.

2.7 In relation to 999 emergency call handling, cumulative year to date shows 84.5% for calls answered within 10 seconds against a target of 90%. Performance over the last three months has been on target. With regards to non-emergency calls, cumulative year to date, we are on target with 81.2% answered within 30 seconds. In the second half of the financial year the force has accelerated recruitment into the control room in order to further enhance resilience.

2.8 The 2014/15 budget represents 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. In June 2013, the outcome of Spending Round 2013 was announced which set a further reduction in funding for the service in 2015/16 of 4.9% real terms (3.2% cash). In the period 2011/12 – 2014/15 Hertfordshire will have made gross savings of £35.0m and after taking into account investment, net savings of £31.8m.

2.9 The 2013/14 budget represents a financial baseline of £181.845m net expenditure (£198.105m gross). Net expenditure in 2014/15 will increase to £185.620m, however this figure represents the inclusion of £8.092m of specific grants previously outside of net expenditure. Table 2 below sets out a high level summary of the budget and shows that gross expenditure, the more meaningful comparison, will decrease by £3.8m to £194.3m in 2014/15, or after allowing for additional specific grant for the Commissioner's new victim commissioning responsibilities of £0.603m by £4.4m. Appendix A sets out the cost centres included within each grouping. The allocation is based upon the best information available at the time of writing the report.

Table 2 :- 2013/14 and 2014/15 Budget Summary

	2013/14 Gross Budget £'m	2014/15 Gross Budget £'m
Local Policing Command	79.6	79.1
Community Safety & Crime Reduction	8.8	8.9
Protective Services	34.4	33.8
Operational Support	22.4	22.6
Business Support	36.5	33.8
Hertfordshire Corporate Budgets	14.2	13.4
TOTAL CONSTABULARY	195.9	191.6
Office Of The Police And Crime Commissioner	1.0	1.0
Commissioning Budgets	1.2	1.7
TOTAL OFFICE OF THE PCC	2.2	2.7
TOTAL REVENUE BUDGET	198.1	194.3

- 2.10 In the current year the Constabulary has been able to deliver savings ahead of schedule and has frozen recruitment, particularly in police staff areas so as to maximise scope to achieve the required savings in 2014/15. The recruitment freeze has contributed to the relatively low level of redundancy costs, as the Constabulary makes the transition to a reduced level of funding over the medium-term period. It is projected that outturn expenditure will be £7.0m below budget (See Appendix B), resulting in higher reserve balances, which is reported in Appendix E.

3 FUNDING SETTLEMENT

- 3.1 The Chancellor announced the outcome of Spending Round 2013 (SR 2013) on the 26th June 2013. The announcement covered one year only, 2015/16, and was followed shortly afterwards by the Home Office providing details on the 2014/15 Police Service settlement. These statements set-out headline cash reductions in police funding of 5.1% (3.3% cash) in 2014/15 and a further 4.9% (3.2% cash) in 2015/16. The reductions apply to the overall baseline of police funding from central government and so include not only police grant and former DCLG formula funding, but also council tax related grants and counter terrorism funding.
- 3.2 The 2014/15 Provisional Funding Settlement was announced on the 18th December 2013 and at a Police Service level reflects the headline reductions set-out in section 3.1. However the impact on police forces is a uniform cash 4.8% floor reduction in grant, which is greater than the headline figure as a result of top slicing by the Home Office to fund national policing bodies and initiatives (see section 3.8) and the protection of Counter Terrorism funding. 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.
- 3.3 Table 3 below summarises the grant funding for the Commissioner next year, setting out a loss of £5.757m for 2014/15 in the underlying level of grant funding.

Table 3 : Summary of Grant Changes

	2013/14 £'m	2014/15 £'m	Change £'m
Formula Funding Allocation (Police Main Grant, DCLG Funding Formula Grant)	119.095	114.218	-4.877
Council Tax Freeze Grants 2011/12 & 2013/14	2.333	2.329	-0.004
Council Tax Support Grant	6.522	6.543	0.021
Local Council Tax Support Transition Grant	0.060	0.000	-0.060
Community Safety Fund Grant	0.837	0.000	-0.837
Net Grant Reduction	128.847	123.090	-5.757

- 3.4 As part of the settlement the government has announced a significant shift in policy regarding the council tax freeze grants for 2011/12 and 2013/14, setting out that they have now been built into the grant settlement for future years rather than ceasing in 2016/17. In addition the Home Office has stated that legacy council tax grants (Freeze and Support) will continue to be paid outside of the police funding settlement, effectively ring fencing them to the current recipients. This change in policy serves to reduce the medium term gap by £2.329m.

- 3.5 The government announced a further two new council tax freeze grants, set at the equivalent of 1% council tax increases based upon a tax base adjusted for the impact of local support for council tax (circa £0.671m) for 2014/15 and 2015/16. Guidance received from DCLG stated that 'Ministers have agreed that the funding for 2014-15 (including 2015-16) freeze grant should be built into the spending review baseline'. By choosing to freeze council tax in 2014/15, the Commissioner is entitled to the first of these two grants (see section 6.5).
- 3.6 The settlement also confirmed entitlement to Council Tax Support grant totalling £6.543m, representing 90% of the cost of the previous national scheme, which is to be included in the net budget from 2014/15. The figure is a slight increase on 2013/14 and will now be paid by the Home Office. Whilst the Commissioner bears the risk of his share (approx. 10%) of any decrease in collection rates and variations arising from local schemes, indications to date for 2013/14 are that collection rates are in line with district councils' expectations. This risk has been factored into the minimum prudent level of reserves calculation in section 6.7. In addition, 2014/15 will see the loss of the £0.060m Council Tax Support Transitional Grant that was payable for 2013/14 only as a result of four district councils setting transitional Council Tax Support Schemes.
- 3.7 As previously signposted by the government, 2014/15 sees the inclusion within general police grant of Community Safety Fund Grant (CSF), which totalled £0.837m in 2013/14, and is no longer ring-fenced for this purpose. Following its incorporation into Police Grant, the overall Police Grant has been subject to the 4.8% floor reduction. The Commissioner is responsible for funding Community Safety activity and has determined that funding will be maintained at £0.837m for 2014/15. See section 8.4 below for further details of the Commissioner's proposals relating to commissioning budgets.
- 3.8 As set-out in section 3.2 above, all forces have seen their 2014/15 grant allocation top-sliced by the Home Office. For Hertfordshire it is estimated to have reduced next year's grant in the region of £1.6m. The most significant areas are, £0.280m to protect Counter Terrorism Funding, £0.760m to fund the new Police Innovation Fund announced by the government in SR 2013 (see section 3.9), a further £0.140m for Her Majesty's Inspectorate of Constabulary (HMIC) to fund a new annual programme of inspections and £0.270m transferred to the Independent Police Complaints Commission (IPCC) to build capacity for dealing with all serious and sensitive allegations against the police. It is considered there is limited scope to make compensating savings within Professional Standards as a result of the proposal to widen the role of the IPCC.
- 3.9 The Innovation Fund is aimed at driving a shift in the way policing is delivered with a particular focus of collaboration. The Home Secretary set-out in her letter dated 25th November 2013 an annual fund of £50m per annum from 2014/15 in addition to precursor funding of £20m in 2013/14. A collaborative bid for £8.1m has been submitted with Bedfordshire and Cambridgeshire to secure a share of this funding to support the programme of collaborative change. The Policing Minister has recently notified the Commissioner that our

bid has been successful and we await further details. As set-out in sections 6 and 7, base funding to support taking forward collaboration is included within the budget in addition to the Innovation Fund bid and the Change Management reserve. As plans are developed over the coming months and the details of the Innovation Fund become available, we will further develop the spending and funding plan, which may require use of the Change Management reserve.

- 3.10 In October 2014 the Commissioner will take on responsibility for Victim Services commissioning. Accompanying this change the Commissioner will receive new funding from the Ministry of Justice of £0.603m in 2014/15 and £1.213m in 2015/16 (see section 8.6). In addition, the government announced in December that early funding to develop commissioning capability or where this is already in place commissioning services, would be available in 2013/14. Plans are currently being developed to maximise the use of the 2013/14 funding.
- 3.11 Hertfordshire is currently regional lead force for ERSOU – the Eastern Region Special Operations Unit. A national programme to increase the operation capacity of such units in line with the Creedon recommendation is underway and the region has received a number of Home Office grants. The expansion plans include both the establishment of new capacity as well as the brigading at a regional level of existing ones. Our current funding plans for ERSOU assume this additional grant will continue for 2014/15 and that the on-going costs of an expanded ERSOU will be cost neutral and so can be incorporated within existing resources. Our reserve calculations include an element to reflect the risk of set-up and double running costs as well as lower grant levels. From the 1st April 2014 it is planned that the ERSOU lead force role will transfer to Bedfordshire Police.

4. STANDSTILL BUDGET

- 4.1 The standstill budget delivers the same level of service as in the current financial year. Latest estimates are that the standstill budget will increase by £2.962m (1.6%) in 2014/15 (0.7% relating to removing reliance on Reserves) and £22.888m up to 2017/18. The detailed yearly movement in the standstill budget is set out in the following table with detailed descriptions given in Appendix C.

Table 4 : 2014/15 to 2017/18 Increased Standstill Costs

	2014/15 £'m	2015/16 £'m	2016/17 £'m	2017/18 £'m
Unavoidable Pressures:				
Pay Awards incl. Overtime:				
Police Officers	0.962	0.948	1.477	1.849
Police Staff	0.590	0.581	0.906	1.133
Police Officer Pay & Allowances	-0.431	0.732	0.436	0.242
Police Staff Increments	0.200	0.200	0.200	0.200
Winsor Review	-0.190	-0.160	-0.134	-
Sub-Total: Staff and Officer Costs	1.131	2.301	2.885	3.424
National Insurance	-	-	2.900	-
Local Government Pension Scheme	-	0.030	-0.486	0.032
Non Pay - Inflationary Cost Pressures	0.593	0.700	0.680	0.660
Sub-Total: Unavoidable Pressures	1.724	3.031	5.979	4.116
Previous Decisions:				
Interest on Balances / Capital Financing	-	-	-0.450	-
Remove Reliance on Reserves	1.238	1.250	2.500	3.500
Sub Total: Previous Decisions	2.962	4.281	8.029	7.616
% Standstill Budget Increase	1.6%	2.3%	4.2%	3.8%

- 4.2 Standstill pressures continue to be constrained by the implementation of the government's public sector pay restraints for the next two years, the planned use of reserves to fund redundancy costs and the reduction in capital financing costs arising from the repayment of external debt and reduction of the Capital Financing Requirement. Spending pressures are projected to increase in subsequent years, predominantly due to pay inflation of 2% in 2016/17 and thereafter and the implementation of the government's policy to remove the national insurance rebate on opted out employer pension scheme contributions from 2016/17. The new Police Officer Pension Scheme will be introduced in 2015/16. The proposals include a reduction in the employer contribution rate; however, the Home Office has advised that at this stage forces should not plan for any saving arising from the introduction of the new scheme.

5 INVESTMENT PRESSURES

5.1 Section 2.4 sets-out Hertfordshire's continued strong performance of which the Local Policing Command (LPC), based upon a geographical model, is the driver. In particular the model provides a major policing presence in each of the ten Community Safety Partnerships (CSP) alongside 33 Safer Neighbourhood Teams (SNT). Aligning with CSPs 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. The Commissioner explains in his Open Letter the value that both he and the Chief Constable place on protecting the current model and the 2014/15 budget maintains the resourcing required to support the existing local policing model.

5.2 Over and above this, and in response to the Commissioner's Police and Crime Plan the Chief Constable recognises the need to focus investment in operational areas where there are new or increasing demands. This is the case in the areas of Child Sexual Exploitation and Cybercrime. In addition there is the need to deploy more effective ways of combating criminality through tagging offenders and deploying dedicated specialist teams against Persistent and Priority Offenders. The following areas have been prioritised for investment in the 2014/15 budget and total £1.068m.

Torch Tagging - £0.100m 2014/15, £0.020m 2015/16

5.3 Hertfordshire Constabulary have the National Policing Lead Portfolio for location monitoring. Project TORCH is a large scale Hertfordshire Constabulary pilot to use location monitoring (LM) technology to support the reduction and detection of crime, promote offender rehabilitation and provide efficient management of those offenders who pose a high risk of offending or harm to the public. Additional funding will enable extension of the pilot.

Hi Tech Cybercrime Unit - £0.100m 2014/15 - (2 FTE Police Staff)

5.4 This team extracts digital data from seized devices and enables that information to be used in evidence or for intelligence. Much of the work of the unit relates to offences involving indecent images of children. A new 'Communications Data Investigator' is required to meet increased demands due to factors such as increases in the number and complexity of devices in circulation, and increases in the number of "Cyber Enabled" offences. In addition it is proposed a one-year cybercrime co-ordinator role is established, enabling the Constabulary to more effectively size the scale of this form of criminality and act as a liaison point with force and regional colleagues.

Child Sexual Exploitation (CSE) - £0.240m 2014/15 - (3 FTE Police Officer, 3 FTE Police Staff)

5.5 Following the publication of the Department for Education action plan 'Tackling Child Sexual Exploitation' the issue of Child Sexual Exploitation (CSE) has become a national policing priority and subsequently identified as a key threat facing the Constabulary. Operation Halo, the dedicated CSE investigation

team is experiencing an increase in referrals and as such further investment will enable increased demands to be managed, therefore protecting the most vulnerable.

Witness Care - £0.035m 2014/15 - (1 FTE Police Staff)

- 5.6 A review of witness care provision has been undertaken and resource requirements considered against the more challenging statutory requirements put in place by changes to the Victims Code. As a result the need to increase resources in the Witness Care Unit has been identified to ensure delivery of our statutory obligations.

Drugs Testing of Detained Persons - £0.097m 2014/15, £0.033m 2015/16

- 5.7 Further investment will enable the extension of a successful pilot that drug tests detainees on arrest. The aim is to reduce crime by reducing demand for drugs through early identification of illegal drug users who will benefit from treatment and diversion from drug use.

Scorpion Team - £0.341m 2014/15, £0.114m 2015/16 - (10 FTE Police Officers)

- 5.8 These teams are the proactive arm for the Community Safety Partnerships. They have been in place for a number of years and have proved successful in proactively targeting and relentlessly pursuing locally based Persistent and Priority Offenders. Historically these teams have been abstracted from Local Policing Command teams (intervention, safer neighbourhood and local crime units) on an attachment basis. This investment will permanently establish the Scorpion Team which will allow these teams to continue to deliver excellent performance whilst being able to alleviate the gaps previously experienced in the Policing model.

Volunteer Scheme- £0.060m 2014/15 - (2 FTE Police Staff)

- 5.9 The current establishment of volunteers in force operational teams is 154. These volunteers perform non-essential tasks to free up operational hours of front line staff. This figure is supplemented by a further 141 volunteers supporting 44 'DriveSafe' schemes. Other work being developed includes the Herts Reunited scheme (lost/stolen/recovered property) and a desire to review the Police Cadet scheme. In order to service this planned activity two paid co-ordinators are required.

Child Abuse Investigation Unit - £0.095m 2014/15 - (1 FTE Police Officer, 1 FTE Police Staff)

- 5.10 Following the national publicity surrounding Operation Yewtree, the number of referrals and investigations dealt with by the Joint Child Protection Investigation Team (JCPIT) Historic Abuse Unit has increased by 79% since October 2012. This together with the launch of Working Together 2013, an OFSTED review of child protection arrangements in Hertfordshire, a 22% increase in the number of child protection referrals and a 55% increase in the

number of Initial Child Protection Conferences (ICPCs) all give rise to increased demands. An investment of 2 additional posts would enable effective management of the increased demand.

Domestic Violence

- 5.11 We are seeing an 11.4% increase in reported domestic abuse crimes this year. With the proactive work on-going to instil confidence in our victims to report domestic abuse, it is anticipated that this will continue to rise. The LPC Harm Reduction Unit has been structured to focus on victims at most risk and offenders who cause the most harm. To ensure our focus remains on repeat and vulnerable victims, as part of our overall approach to safeguarding vulnerable victims, the effectiveness of our current structure to respond to domestic abuse is to be reviewed. Taking into account the increase in reported cases of domestic abuse, we will determine the level of resources required to ensure that victims at risk are adequately protected and repeat offenders continue to be appropriately managed and brought to justice. The outcome of this review will be presented to the Chief Officers prior to discussion with the PCC to ensure any increase in resources is reflected in future financial plans.

6 PROPOSED APPROACH TO PRECEPT, RESERVES AND MEDIUM TERM FINANCIAL PLAN (MTFP)

- 6.1 This section brings together standstill, funding and investment assumptions into the Medium Term Financial Plan, to establish the funding gap that must be met from savings, use of reserves, precept or council tax freeze grant.
- 6.2 As set-out in section 3 above, there is a good level of certainty regarding expected funding levels from central government up to 2015/16. Overall Police Service funding will reduce by 3.3% in 2014/15 and a further 3.2% in 2015/16. However, as set-out in section 3.2, police force funding will decrease by 4.8% in 2014/15 and it is expected that further top slicing of the police settlement will occur in 2015/16, resulting in a decrease in police force funding above the 3.2% headline figure, which has been factored into our funding projections. 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 2.3% in both 2016/17 and 2017/18. This is in-line with the reduction in government departmental spending under the Coalition Government. These reductions in government funding, when added to the impact of standstill pressures (section 4), the need for re-investment (section 5) and movements in the tax base and collection fund surplus, result in a gross medium term budget gap of £31.138m before the use of reserves or precept / council tax freeze grant increases.
- 6.3 Hertfordshire's 2013/14 Band D Council Tax is £147.82 (or £2.84 per week). The Council Tax had been at its current level since 2010/11. In this summer's Spending Round 2013 announcement the government stated it planned 'to set the council tax referendum threshold at 2% for both 2014/15 and 2015/16'. It should be noted that with regard to the 2013/14 threshold a more lenient trigger was set, requiring a breach of both a 2.0% and a £5 cash increase for those forces in the bottom quartile of Band D council tax, of which Hertfordshire is one. The provisional settlement did not provide further details and Brandon Lewis MP, Under-Secretary of State at the Department for Communities and Local Government (DCLG) stated in the accompanying ministerial statement that 'we will announce Council Tax referendum threshold principles separately in the New Year' and that he 'would be particularly interested in views on some lower threshold being applied to all or some categories of authorities'. In addition, Mr Lewis stated at a recent Local Government Association conference that the figure would be announced alongside the presentation of the final local government spending settlement to Parliament in February and 'if it does change (the limit), it won't be going above 2 per cent'. If further information on the Council Tax referendum threshold is announced it will be presented at the Police and Crime Panel meeting.
- 6.4 Set-out below are three exemplification of the impact of differing 2014/15 precept levels:
- As set-out in section 3.5, the government has made available a new council tax freeze grant for 2014/15 set at the equivalent of a 1% increase in Band D

council tax and estimated to be worth £0.671m for Hertfordshire dependent on no precept increase.

- If the precept was increased by 1.95%, below the current provisional referendum trigger, this would generate £1.198m of income, amounting to additional on-going income of £0.527m compared to a precept freeze.
- If the precept was increased by 3.3% / £4.95 in-line with the 2013/14 rules, this would generate £2.028m of income, amounting to additional on-going income of £1.357m compared to a precept freeze.

6.5 The Commissioner proposes to freeze council tax at the current Band D rate of £147.82 and to accept the 2014/15 Council Tax Freeze Grant of £0.671m. Provisional tax base figures have been provided by the district councils. Provisional collection fund figures have been provided by eight of the districts. The provisional tax base and collection fund figures generate additional income of £0.769m. 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.

6.6 Looking forward, our MTFP projections for 2015/16 – 2017/18 assume an annual council tax / freeze grant funding increase equivalent to a 1.0% increase in the Band D council tax rate. The approach to precept will be reviewed by the Commissioner as part of the annual budget setting process.

6.7 It is possible to complement the Commissioner's precept policy through the use of reserves to support the budget over the medium-term period, thus enabling a phased decrease in overall spending levels so as to meet the financial challenge. A review of reserves has been undertaken (Appendix E) which highlights that overall reserves are projected at £33.8m at March 2014. Taking into account this strengthened position, an approach has been developed that draws on £10.5m of Change Management reserves to support the budget over the medium-term period, ensures a prudent minimal level is maintained and provides significant flexibility to draw on resources if the overall financial position worsens.

6.8 In addition, the use of a further £0.250m of reserves in both 2014/15 and 2015/16 represents a draw on specific reserves to support the Commissioner's Community Fund (see section 8.5).

Table 5 : MEDIUM TERM FINANCIAL PLAN 2014/15 to 2017/18

	2014/15 £'m	2015/16 £'m	2016/17 £'m	2017/18 £'m	TOTAL £'m
Increased Standstill Costs (excluding new use of reserves)	2.962	3.031	5.529	4.116	15.638
Re-Investment	1.068	0.500	0.500	0.500	2.568
Grant Reduction	5.757	3.906	2.538	2.426	14.627
Council Tax Base & Collection Fund	-0.769	-0.307	-0.309	-0.310	-1.695
Gross Budget Gap – Excluding Use of Reserves and Council Tax Increase	9.018	7.130	8.258	6.732	31.138
New Use of Reserves	-1.250	-2.750	-3.500	-3.500	-11.000
Standstill Pressure – Remove New Use of Reserves	-	1.250	2.500	3.500	7.250
Budget Gap Excluding Precept / Council Tax Freeze Grant Increases	7.768	5.630	7.258	6.732	27.388
Precept / Council Tax Freeze grant Increases of 1% per annum.	-0.671	-0.614	-0.614	-0.614	-2.513
Budget Gap (£24.9m)	7.097	5.016	6.644	6.118	24.875

- 6.9 Table 5 above sets out the Commissioner's MTFP for the next four years based upon an annual council tax / freeze grant funding increase equivalent to 1.0% increase in the Band D tax rate. Use of reserves other than to support the 2013/14 budget have been excluded from the increased standstill costs shown in line one of the table, thereby highlighting the budget gap that would arise should no further reserves be used to support budget in future years. The overall impact of the planned use of reserves results in a medium term budget gap of £24.875m.

7. SAVINGS PROPOSALS

- 7.1 Based on the planning parameters set-out in section 6 above, the Commissioner is faced with a savings target over the next four years of £24.875m.
- 7.2 As set out in section 5.1, the savings plan has been developed so that there are no new local policing savings in 2014/15 and local policing capability is prioritised over the medium term, with a majority of savings expected to come from both operational support and business support departments through both Hertfordshire only and collaborated savings.
- 7.3 Table 6 below sets-out a high level overview of the proposed medium term savings programme. High level planning targets are based upon savings of circa 30% within both Operational and Business Support, 10% in Protective Services and Community Safety and residual savings required to meet the budget gap from within the Local Policing.

Table 6 : High Level Proposed Medium Term Savings Programme

	Medium Term Savings %	2014/15 to 2017/18 £'m
Business Support	30	10.1
Operational Support	30	6.0
Protective Services	10	2.9
Community Safety	10	0.9
Local Policing Command	3.4	2.6
Full Year Effect of Previous Decisions		2.4
Total Savings Plan		24.9

- 7.4 Over the medium term there is a high dependency on the collaborative Strategic Alliance (Bedfordshire, Cambridgeshire and Hertfordshire) change programmes. Governance arrangements are now in place to implement further collaboration and a high level outline business case is being developed for early 2014. 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. Work was undertaken in 2013 to assess the scope to achieve further savings through Hertfordshire only efficiency programmes in the Business Support and Operational Support areas and it is considered that if required there is scope to achieve a significant level of these savings in 2015/16 in order to balance the budget supplemented by the increased use of reserves. Alongside the risk that it will take longer to generate the collaborative savings, there is also the risk that it is not possible to fully achieve the 30% savings target. If the Business Support and Operational Support savings were restricted to 25% rather than 30%, a further £2.683m of savings would need to be found from

other parts of the budget including Local Policing or met from increased council tax income.

- 7.5 Table 7 shows the proposed approach to delivering savings in 2014/15. The plan is predominantly based on Hertfordshire only savings. Many of the savings result from changes already implemented, which have provided greater than anticipated part year savings and underspends in the current year, and a high level of confidence regarding achieving the savings in 2014/15.

Table 7 : Proposed 2014/15 Savings Programme

	£'m
Business Support	3.407
Operational Support	0.190
Protective Services	1.236
Full Year Effect of Previous Decisions	2.264
Total Savings Plan 2014/15	7.097

The key themes to the 2014/15 savings programme (see Appendix F for further details) are:

- (i) A strong emphasis on achieving efficiencies in Business Support areas in advance of potential collaboration, which provides savings totalling £3.407m (48% of the 2014/15 savings programme). These include achieving a more cost-effective Estate through the implementation of the Estates Strategy, allowing the removal of £1.095m in estates running costs in 2014/15. Savings have been achieved in business support departments totalling £0.551m, including HR, Finance and Corporate Services, following reviews undertaken in February 2013 to drive out Hertfordshire only efficiencies through internal 'leaning'. Reductions within the dedicated collaboration team enable savings of £0.576m. Non pay savings totalling £0.903m, including £0.326m from ICT and the generation of additional collaboration support income of £0.317m. Finally savings on Corporate budgets total £0.282m.
- (ii) Savings in Operational Support totalling £0.190m from within the Criminal Justice Department from cost reduction and reduced use of Language Line (£0.110m) and the relocation of Witness Care and Case Progression staff (£0.080m).
- (iii) Savings in Protective Services total £1.236m. Predominantly these are within Joint Protective Services (JPS) (£1.081), which in-line with other budgets, was set a savings target of 10% over the medium term. The savings proposals have been informed by a programme of peer review and inspection in order to develop options for the most effective staffing and deployment models and processes. The balance of £0.155m comes from Hertfordshire only Protective Services.

- (iv) Full Year Effect savings totalling £2.264m. Predominately arising from a number of 2013/14 budget changes that were implemented to improve the cost-effectiveness of the Local Policing Command and in response to changes in partner funding. These efficiency measures provide full year effect savings that will allow the removal of £1.718m of Police Staff budgets in Crime Investigation (£1.170m), Front Enquiry Offices (£0.248m) and Education Support PCSOs (£0.300m). 2013/14 Savings in Joint Protective Service units generate savings of £0.217m. In addition Full Year Effect savings in business support departments total £0.329m.

Staffing Impact

- 7.6 With regard to police officer numbers and taking into account the savings and investment proposals, subject to finalisation of detailed budget proposals, there will be an uplift in police officer numbers in 2014/15, with overall establishment increasing from 1,917 to 1,923. The savings proposed serve to decrease police officer numbers by 5 posts, with a compensating increase in operational police officer posts from the investment proposals. It is planned that the force will seek to recruit over 100 officers in 2014/15. This is in response to net increase in officer numbers in 2014/15, and officer turnover both in the current year and projected in 2014/15.
- 7.7 There will be a net reduction of 78 police staff posts, (Subject to finalisation of detailed budget proposals) primarily from savings in Business Support and the full year effect of 2013/14 reductions in LPC police staff posts, set against a small increase from the investment proposals. Alongside these changes in establishment the force is actively recruiting PCSOs in response to turnover in the current year. At this point it is envisaged that the net reduction in police staff posts set-out above will largely be achieved through vacancies and natural turnover.
- 7.8 In-line with the Commissioner's volunteering strategy, measures are being taken to support the recruitment of volunteers and specials.

8 POLICE AND CRIME COMMISSIONER BUDGET

Office of the Police and Crime Commissioner

- 8.1 The Office of the Police and Crime Commissioner was restructured in the current year to reflect the wider requirements of the Commissioner's role. In particular to meet the increased public contact and engagement, support the delivery of new community safety and crime reduction responsibilities and the enhancement of the delivery of criminal justice. These costs were contained within the existing base budget of £1.000m. The budget has been maintained at this level, thereby absorbing the cost of national pay awards and non-pay increases in 2014/15.
- 8.2 In April 2014 those police staff under the line management of the Chief Constable will transfer to the employment of the Chief Constable as part of the Stage 2 transfer process required under the Police reform and Social Responsibility Act 2011. The Commissioner and Chief Constable have agreed to maintain the existing cost-effective arrangements whereby Constabulary departments provide support to the Office of Police and Crime Commissioner in areas such as Finance and Communications.

Commissioning Budgets

- 8.3 In 2014/15 the Commissioner will hold £1.690m 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

	2014/15 £'m
Community Safety Fund	0.837
Commissioner's Community Fund	0.250
Victim Support Services	0.603
Total	1.690

- 8.4 As set-out in section 3.7, the 2013/14 Community Safety Fund Grant of £0.837m will be included in general police grant from 2014/15. Having reviewed the value of current partnership arrangements and investments and given the substantial change that the in-year transfer of responsibility for Victim Support Services will bring next year, the Commissioner has opted for continuity in this financial year ahead of potential changes in 2015/16. Accordingly, community safety grants will be made at the same level and to the same organisations in 2014/15 as in 2013/14. . This includes continued funding for county level partners such as the youth offending service and county community safety unit, as well as continued contributions to district community safety partnerships. Some process changes will be requested as part of conditions of grant, with recipients of the funding explaining in their district budget papers their spending intentions and how they meet the Police and Crime Plan.

- 8.5 It is proposed that a Commissioner's Community Fund of £0.250m be maintained and funded from the Commissioner's specific reserve. 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 the balance of the £0.100m earmarked funding identified in setting the 2013/14 budget, is carried forward to enable the Commissioner to fund his Police and Crime Plan initiatives, such as DriveSafe, in 2014/15.
- 8.6 Responsibility for commissioning of Victim Support Service (a grant stream which also includes Restorative Justice) will be delegated to local Commissioners from October 2014. The plan for Victim Support funding in the second half of 2014/15 is to passport funding to existing suppliers ahead of a wider retendering for a Victims Service in 2015/16 that draws together a range of disparate funding streams. For 2014/15 the Commissioner will receive a total allocation of £0.603m rising in a full year to £1.213m in 2015/16.
- 8.7 Moving forward, the Commissioner, in consultation were 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.

9 CAPITAL PROGRAMME AND PRUDENTIAL INDICATORS

Summary Capital Programme

- 9.1 Table 9 below shows a high level overview of the capital programme for 2014/15 to 2017/18, further detail is set out in Appendix G. The table sets out a programme totalling £5.338m in 2014/15 and £23.724m up to 2017/18. The four year programme will be funded from general capital grant of £5.424m and capital receipts of £18.200m.
- 9.2 The Commissioner has given in-principle agreement for an estate strategy that aligns with the Constabulary's SNT, Custody, and LPC reviews. The capital programme incorporates feasibility work relating to the review of custody facilities in the west of the county. It is anticipated that the 2015/16 capital programme will incorporate scheme costs relating to the western custody programme following consideration of the business case.
- 9.3 A review of the impact on the 2014/15 capital programme of 2013/14 IS Strategy and ICT Investment slippage, currently forecast at £3.234m, has identified the potential to reduce the need for new 2014/15 funding by a total of £1.959m to better reflect the department's ability to spend during the year. Therefore the overall new 2014/15 programme need of £4.204m can be reduced to £2.245m. The residual 2013/14 slippage of £1.275m relates to on-going commitments such as Athena and mobile data and so will be required to fund expenditure in these areas in 2014/15.
- 9.4 Alongside the four year fleet reduction programme, the focus of fleet capital expenditure is on maintaining investment in the fleet replacement programme.

Table 9: Proposed Capital Programme 2014/15 - 2017/18

Planned Expenditure	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
Estate Programme	0.915	1.020	0.665	0.665	3.265
IS Strategy And ICT Investment	2.245	3.600	2.050	4.015	11.910
Fleet	1.528	1.442	1.398	1.431	5.799
Technical And Specialist Equipment	0.550	0.550	0.550	0.550	2.200
Collaboration	0.100	0.150	0.150	0.150	0.550
Total Capital Programme	5.338	6.762	4.813	6.811	23.724
Funded By:					
Capital Grant	1.356	1.356	1.356	1.356	5.424
Use Of Drugs Fund	0.100	-	-	-	0.100
Use Of Capital Receipts	3.882	5.406	3.457	5.455	18.200
Total Capital Funding	5.338	6.762	4.813	6.811	23.724

Prudential Indicators

A - Capital Programme

- 9.5 Table 9, above, sets-out a four year capital programme for 2014/15 to 2017/18 in respect of new capital schemes totalling £23.724m and, together with the estimated slippage from 2013/14 of £4.901m, will result in total capital spending across the four year period of £28.625m. The yearly capital programme, including slippage, is set-out in table 10 below.

Table 10: Prudential Indicator – Estimates of Capital Expenditure

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Capital Programme	10.239	6.762	4.813	6.811

B - Capital Financing

- 9.6 With regard to funding the 2014/15 Capital Programme, the provisional settlement from the government indicates that general capital grant will be £1.356m in 2014/15 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 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 11 below sets-out the funding plan for the next four years.

Table 11: Capital Financing – Estimates for 2014/15 to 2017/18

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Capital Grant	1.356	1.356	1.356	1.356
Capital Receipts	8.783	5.406	3.457	5.455
Force Drugs Fund	0.100	-	-	-
Total capital financing	10.239	6.762	4.813	6.811

C - Capital Receipts Reserve

- 9.7 Table 12 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 estate strategy and on-going disposal of police houses.

Table 12: Capital Receipts – Estimates for 2014/15 to 2017/18

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
1 April Balance	17.895	10.612	11.706	9.749
Capital Receipts	1.500	6.500	1.500	9.750
Planned Use	-8.783	-5.406	-3.457	-5.455
31 March Balance	10.612	11.706	9.749	14.044

- 9.8 The opening balance of £17.895m at the 1 April 2014 includes the proceeds from the disposal of both Welwyn Garden City and Hertford police stations. At this stage it has been assumed that the sale of vacant police houses will continue to generate, on average, a total £0.500m per annum, totalling £2.000m during the period. In addition, it is assumed that capital receipt income totalling £17.250m will be generated in the medium term via disposals of larger 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.

D - Capital Financing Requirement and Minimum Revenue Provision.

- 9.9 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 2013/14 the Authority 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 2014/15. Appendix H sets out a summary of the background and options.

- 9.10 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 for 2014/15 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 £0.904m per annum in each of the next four years.
- 9.11 For 2013/14 the expected level of CFR is £30.923m, reflecting both internal borrowing and £18.000m of external debt, required to support the capital programme. This figure is some £1.392m below the budget of £32.315m set in February 2013. This improved position reflects voluntary revenue provision made during 2013/14 totalling £0.948m and the outturn figures for 2012/13. CFR for 2014/15 is estimated at £30.019m. The CFR resulting from the proposed 4 year Capital Programme is set out in table 13 below.

Table 13: Prudential Indicator – Estimates of Capital Financing Requirement

2013/14 Budget (Revised) £m	2013/14 Forecast Outturn £m		2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
32.315	30.923	Capital Financing Requirement	30.019	29.115	28.211	27.307

E - Ratio of financing costs to net revenue stream

- 9.12 The code requires the affordability of the proposed Capital Programme to be considered. This provides an indication of the impact of the Capital Programme on the overall finances of the Authority. In 2014/15 the budgeted total financing costs included in the revenue budget proposals will be £1.447m which amount to 0.78% of the net revenue stream. The estimates of financing costs include interest payable on external borrowing, investment interest earned by the Authority on cash balances and the minimum revenue provision charged to the revenue account. Table 14 below shows the estimated financing costs and resultant ratio for the next 4 years.

Table 14: Prudential Indicator – Ratio of financing costs to net revenue stream

2013/14 Budget	2013/14 Forecast Outturn		2014/15	2015/16	2016/17	2017/18
£m	£m		£m	£m	£m	£m
0.779	0.779	Interest Payable on External Borrowing	0.779	0.779	0.779	0.779
(0.236)	(0.192)	Investment Interest	(0.236)	(0.236)	(0.686)	(0.686)
0.904	1.854	Revenue Provision	0.904	0.904	0.904	0.904
1.447	2.441	Total Financing Costs	1.447	1.447	0.997	0.997
0.80%	1.34%	Ratio	0.78%	0.79%	0.55%	0.56%

9.13 For 2014/15 onwards, the ratio of financing costs to net revenue stream identifies the trend in the cost of capital financing (borrowing costs net of interest and investment income) against the decreasing net revenue stream. Table 14 shows that in 2013/14, the forecast outturn ratio is higher than budgeted as a result of the voluntary revenue provision set-out in section 9.11 and lower interest earned on investments following the implementation of the government's Funding for Lending Scheme. Looking forward, budgeted revenue costs in 2014/15 and 2015/16 are unchanged from 2013/14. From 2016/17 it has been assumed that an additional £0.450m will be generated from investments as base rates increase over the medium term. (See section C1.6 for details) As a result, the ratio drops in 2016/17. This change is reflected as a reduction in capital financing costs included within the standstill budget.

F- Incremental Impact on Council Tax

9.14 This prudential indicator identifies the incremental cost of changes in the proposed capital programme compared to the Authority's existing capital programme agreed in February 2013. For 2014/15 and 2015/16 table 15 below shows that there is no impact on council tax since budgeted costs remain constant at £1.447m (see section 9.12). The assumption of higher returns on investments from 2016/17 (see section 9.13) is reflected in a £1.07p incremental reduction in financing costs, releasing financial resources to meet spending pressures elsewhere in the revenue budget. The movement in the 2013/14 indicator reflects the £0.948m of additional revenue provision set-out in section 9.11.

Table 15: Prudential Indicator – Estimates of the incremental impact of new capital investment decisions on the council tax

2013/14 Budget £	2013/14 Forecast Outturn £		2014/15 £	2015/16 £	2016/17 £	2017/18 £
-4.27	-2.24	Change in Council Tax Band D	0.00	0.00	-1.07	0.00

G - Average Cash Balances

9.15 Based on the capital programme set-out above and the reduction in the balance of reserves as they are used to support the budget, 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. Cash balances for 2013/14 are higher than budgeted due to the revenue underspend and levels of reserves at the end of 2012/13.

Table 16: Average Cash Balances

2013/14 Budget £m	2013/14 Forecast Outturn £m		2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
47.275	52.897	Average Cash Balances	49.931	45.152	41.536	39.109

H - Borrowing Limits

9.16 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 2013/14. The suggested limit for 2014/15 is £20.800m 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 17 sets out the proposed Authorised Limit over the next four years.

Table 17: Prudential Indicator – Authorised Limit for External Debt

2013/14 Budget	2013/14 Forecast Outturn		2014/15	2015/16	2016/17	2017/18
£m	£m		£m	£m	£m	£m
19.800	18.000	Borrowing + 10%	19.800*	19.800	19.800	19.800
1.000	0.000	Other long term liabilities	1.000	1.000	1.000	1.000
20.800	18.000	Total	20.800	20.800	20.800	20.800

* Expected actual borrowing plus 10% margin as at 31st March 2014

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 £18.000m for 2014/15 and the subsequent three years. Table 18 sets out the proposed Operational Boundary for the next four years.

Table 18: Prudential Indicator - Operational Boundary

2013/14 Budget	2013/14 Forecast Outturn		2014/15	2015/16	2016/17	2017/18
£m	£m		£m	£m	£m	£m
18.000	18.000	Borrowing	18.000	18.000	18.000	18.000
-	-	Other long term liabilities	-	-	-	-
18.000	18.000	Total	18.000	18.000	18.000	18.000

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

9.17 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 2014/15 and the next two financial years. The proposed Capital Programme and financing of the programme meets this requirement.

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GROSS BUDGET 2013/14

	2013/14 Gross Budget £'m
Local Policing Command	79.6
Community Safety and Crime Reduction	8.8
Protective Services	
Regional and BCH Uniformed (Road Policing, Major Crime Unit)	11.8
BCH & Regional Non Uniformed (CT&DE, Major Crime, PSD, ERSOU)	14.5
Protective Services	8.1
Total Protective Services	34.4
Operational Support	
Contact Management	10.2
Criminal Justice Department	10.0
Other (Camera Tickets Collision, Firearms Licensing, HCJB)	2.2
Total Operational Support	22.4
Business Support	
Estates and Facilities Department	9.4
HR (Including Training)	9.0
ICT	8.9
Corporate Services	3.3
Other (Finance, Collaboration, Procurement, Legal)	5.9
Total Business Support	36.5
Corporate Budgets	
Pensions	2.9
Capital Finance	1.7
Police Officer Allowances	7.8
Other	1.8
Total Corporate Budgets	14.2
Police and Crime Commissioner	
Office	1.0
Commissioning Budget	1.2
Total Office of the Police and Crime Commissioner	2.2
Total Gross Budget	198.1

2013/14 REVENUE OUTTURN

- B1.1 Police Officer pay is projected to underspend by £1.2m or 1.2%. This largely arises from the impact of higher than projected turnover, combined with the increment freeze and lower than anticipated spend on the new unsocial hours allowance.
- B1.2 The Constabulary is working actively to increase actual officer numbers having recruited a further 17 officers in September 2013 and plans to recruit 10 new recruits and 10 transferees in February 2014.
- B1.3 It is projected that Police Staff budgets will underspend by £3.4m, largely due to the recruitment freeze during the first half of the financial year, the increased level of turnover and the full implementation of departmental reviews relating to Assistant Investigators, Enquiry Office, HR and Corporate Services. Holding vacancies has also enabled full year savings in 2014/15 across a wide number of business support areas. Alongside this, the Constabulary is actively recruiting Force Control Room staff and PCSOs in response to turnover in the current year.
- B1.4 In order to protect frontline policing roles, the Constabulary has sought to maximise in-year non-pay savings, generating significant savings in Estates running costs, ICT, Fleet and Forensic costs. In addition in the first 9 months of the year there was reduced expenditure on the Collaboration Programme team. At this stage of the financial year, there has been a relatively low level of spend on the Major Incident budget. It is anticipated that the budget of the Office of the Police and Crime Commissioner will underspend by approximately £0.1m
- B1.5 It is projected that outturn expenditure will be £7.0m below budget, resulting in significant strengthening of reserve balances.

STANDSTILL BUDGET

C1.1 Table 4, in section 4 of the main report, shows the year on year movement in standstill costs over the four year period during which the standstill budget increases on average by £5.722m (3.1%) per annum. The key components of the standstill budget, based on latest estimates, are summarised below:

C1.2 **Officer and Staff costs** – increases of £1.131m in 2014/15 and £9.741m up to 2017/18 to reflect:

- **Pay Awards** – The projected figure includes two years of 1.0% per annum increases from September 2014 in line with the Chancellor's stated intention to continue public sector pay restraints for an additional year and 2.0% increases in September 2016 and 2017 in line with government planning assumptions.
- **Police Officer Pay and Allowances** – £0.500m has been removed from the police pay budgets to reflect implementation under Winsor 1 of the incremental progression freeze. In addition, the new anti-social hours allowance has proven to cost less than previously assumed coupled with the on-going retirement of police officers in receipt of replacement allowances, this enables a further £0.550m to be removed from police pay budgets. Offset against these savings is the on-going need to fund future incremental progression for 2014/15 onwards, expected to be £0.619m in 2014/15 and £2.029m up to 2017/18. 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 over the next four years.
- **Police Officer and Staff Increments** – Police staff increments present a standstill pressure of £0.200m and are derived from the national Police Staff Council. This estimate builds in the high level of current vacancies as well as anticipated future turnover in 2014/15.
- **Winsor Review** – The reduction of £0.190m represents the continued phased abolition of Competency Related Threshold Payments.

C1.3 **National Insurance** – From April 2016 the government will remove the employer's national insurance contribution discount for those employees who have opted out of the Additional State Pension Scheme. The Constabulary receives this discount, currently 3.4% between the Primary Threshold and Upper Accrual Point, for a majority of police officers and police staff and will therefore be faced with a significant increase, estimated at £2.900m, in its national insurance contributions.

C1.4 **Local Government Pension Scheme (LGPS)** – It is estimated that the existing LGPS budget can be maintained at the current level in 2014/15 and that the budget can be reduced by a further £0.424m by 2017/18. The LGPS undergoes a financial valuation every three years; this is carried out by the

scheme actuary, Hymans Robertson. The triennial valuation is an assessment of the financial health of the pension fund and the result of which is used to determine the contributions that we will need to pay to the pension fund from 1st April 2014 to 31st March 2017. The results of the triennial valuation were received in mid-December and represent an improved position to the one set-out in the actuary's February heads-up report. The valuation results show an increased level of funding from 81% in 2010 to 92% in 2013. The increased funding level has arisen primarily due to growth in the scheme's investments (an increase from £100.942m in 2010 to £156.934m in 2013) outperforming the increase in pension liabilities (an increase from £124.344m in 2010 to £171.457m in 2013). In light of the valuation, pension costs can be contained within existing budgets by offsetting the increased current employee costs, against the decreased need to fund the scheme deficit, resulting in an overall employer's contribution rate of 18.9%.

- C1.5 **Non-Pay costs** – The standstill budget has been increased by £0.593m in 2014/15 and £2.633m up to 2017/18 to reflect a range of non-pay related spending pressures. These include £0.362m for the cost of general inflation at 2.0% 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 fuel and utilities. Non-pay costs also cover a number of one-off specific items such as the loss of income from the ERSOU estate following relocation from our estate (£0.210m), the continued move to full economic cost recovery by the Home Office for former NPIA ICT systems (£0.171m) offset by decreased spending pressures from ill health early retirements (-£0.150m).
- C1.6 **Capital Financing Costs** – Nil in 2014/15 and a decrease of £0.450m up to 2017/18. The current profile of the Commissioner's debt portfolio both in term of age and rates as well as planned Minimum Revenue Provision payments, means that over the medium term these costs are expected to remain fixed. The Commissioner has seen an increase in the level of cash balances over the last three years as a result of increased levels of 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 as unemployment moves towards 7%, the level at which the Bank of England has indicated it will begin to consider base rate increases, it is felt more likely than not that over the medium term interest rates will increase. Given the uncertainty of the timing and level of increase, an indicative increase in rates to 1.5% in 2016/17 has been included in the MTF.
- C1.7 **Prior Year Draw on Reserves** – There is a need to incorporate funding of £1.238m during 2014/15 and £8.488m up to 2017/18 to reflect reliance on reserves.

2014/15 Council Tax for Police and Crime Commissioner Purposes

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

Precept Amount Required From the District Councils

(Indicative based upon provisional information)

	£
Borough of Broxbourne	4,878,060.00
Dacorum Borough Council	7,954,075.94
East Hertfordshire District Council	8,199,372.89
Hertsmere Borough Council	5,657,514.86
North Hertfordshire District Council	6,944,273.18
St Albans District Council	8,741,187.88
Stevenage Borough Council	3,669,321.08
Three Rivers District Council	5,377,461.00
Watford Borough Council	4,451,170.62
Welwyn Hatfield District Council	5,577,632.93
Total Precept	61,450,070.38

RESERVES AND ROBUSTNESS OF THE BUDGET ESTIMATES**E1 General Reserves**

E1.1 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.

E1.2 The Chief Financial Officer considers that a level of general reserves of £4.840m (2.6% of 2013/14 budget) would be adequate for the 2014/15 financial year. In coming to this view on the adequacy of reserves, the risks faced by the Commissioner have been taken into account. The risk assessment considers the possible maximum financial impact and the probability of a risk occurring. The main risks relate to budgetary control and the achievement of the savings programme including collaborative savings, major incidents and investigations, potential set-up costs and delays to achieving local savings on the expansion of ERSOU, business continuity and the risk of delay in the generation of capital receipts.

E1.3 The figure of £4.840m is a decrease of £0.790m on last year and reflects the lower level of capital receipts to be generated in 2014/15 and a reduction to the provision to cover the volatility in precept income arising from the move to localised support of council tax in 2013/14.

E2 Specific Reserves

E2.1 A review of the number and adequacy of specific reserves has been carried out and the 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 2013/14.

Proposed Estimated Level of Specific Reserves	31st March 2014 £'m	31st March 2015 £'m
Medium Term Change Management Reserve (post transfers)	24.765	23.265
Police And Crime Commissioner Transitional Reserve	0.500	0.250
Insurance Fund	0.423	0.423
Ill Health Early Retirement	0.100	0.100
Estates Rationalisation Reserve	0.128	0.128
Police Property Act Fund (resolved)	0.090	0.090
Force Drugs Fund	0.645	0.545
Unconditional Funding Reserve	1.663	1.363
Total Specific Reserves	28.314	26.164

E3 Review of Reserves

E3.1 The Chief Financial Officer notes that Hertfordshire's overall reserves as at 31st March 2013 are in line with the national average of £24.31 per capita.

E3.2 With regard to the overall review of reserves the key outcomes are:

- The expected level of all reserves as at 31 March 2014 will be £33.778m, including £5.464m of general reserves. This assumes a carry forward of £0.624m into 2014/15.
- The Commissioner should plan on the assumption of the need to retain £4.840m (2.6% of the 2013/14 net budget) as a minimum prudent balance in general reserves for the 2014/15 financial year.
- The overall level of reserves has continued to increase over the last three years. This has significantly strengthened the overall financial position and allows the Commissioner to plan to make a draw of £11.000m on reserves to support the budget over the medium term
- That £2.000m of the Medium Term Change Management Reserve be ring fenced to meet additional redundancy costs over and above the Redundancy Provision.
- That work be taken forward to determine the one-off costs reflecting the investment required to establish new collaborative structures and systems for providing Business and Operational Support, which would be funded from the Change Management Reserve.
- That recognising the dependence on the Bedfordshire, Cambridgeshire and Hertfordshire Collaborative programme for delivering savings to support the future budgets, that a specific contingency reserve be established to mitigate the risk regarding generating the required savings by 2015/16.

E4 Risks and Robustness of Estimates

E4.1 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 risks that may impact upon the delivery of the 2014/15 budget are:

- Delivering the planned level of savings. However, it should be noted that approximately 85% of the proposed budget savings are either completed (as part of previous year's savings) or currently being implemented.
- Achieving the required outcomes from collaboration with other forces, and specifically the dependence on collaboration for achieving savings. However, the ability to draw on the increased level of reserves does mitigate this risk in

the event that collaborative savings take longer to generate or there is need to give greater focus to Hertfordshire internal savings.

- Exceptional demands placed upon the service, particularly in relation to major incidents, which is addressed through establishing a minimum prudent reserve.

E4.2 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. Controls will be maintained on overall numbers of officer and staff in areas subject to future change programmes including collaboration, meaning that spending levels will be contained overall. As in previous years identified savings will be removed from budgets prior to allocation at the start of the financial year.

SAVINGS PLAN DETAIL

F1 – Business Support

	2014/15 £'m
Business Support	
- Estates Strategy	1.095
- Departmental Review (Corporate Services, HR, Finance)	0.551
- Collaboration Team	0.576
- Non Pay (Including ICT)	0.903
- Corporate Budgets	0.282
Total Business Support	3.407

- F1.1 Implementation of the Estates Strategy supports the achievement of a more cost-effective estate. The Estate Strategy has its focus on maintaining a deployment base in each of the ten CSPs in the county, providing a strong coverage of over 30 Safer Neighbourhood Team bases across the county, and managing the estate more cost effectively through sharing sites and disposing of surplus sites and, where required, investing in the estate to increase policing capability and the efficiency of buildings. In the last 18 months the Constabulary has disposed of 8 sites, reduced leasing costs through better utilisation of the estate and entered into shared accommodation arrangements with Three Rivers DC in Rickmansworth and Dacorum BC in Berkhamstead. Plans for further site sharing arrangements are also being progressed with St Albans DC and Hertsmere BC in Borehamwood. Overall these changes will allow the removal of £1.095m in estates running costs in 2014/15 from the revenue budget.
- F1.2 In February 2013 reviews of business support departments including HR, Finance, Estates and Corporate Services were undertaken to identify the scope to drive out Hertfordshire only efficiencies through internal 'leaning'. These reviews identified savings totalling £0.551m and include savings in HR following implementation of further centralisation and a reduction in Learning & Development resources totalling £0.152m, a further £0.195m of savings in the Corporate Services Department and £0.063m savings within Finance. The balance of £0.141m savings will come from removing vacant posts.
- F1.3 Work is on-going in defining the level of dedicated support required for the extension of collaboration and how this work is also integrated into the mainstream role of our support departments. At this stage it is proposed we will operate with a smaller than previous dedicated collaboration team enabling the freeing up budget of £0.576m.
- F1.4 £0.903m of savings will be generated through reductions to non-pay expenditure budgets and the generation of additional income. In particular, work within ICT focused on driving out non-pay savings from contracts which

will enable the removal of £0.500m from the collaborated budget of which Hertfordshire's share is £0.326m and £0.317m of income will be generated through providing business support services to collaborated units. The balance of £0.260m will come from non-pay savings across a range of Hertfordshire only Business Support budgets.

- F1.5 Savings on Corporate budgets totalling £0.282m arise from additional income from the Courts Service and the UK Border Agency (£0.090m), a reduction in the Major Incident budget of £0.160m and decreased external audit fees following the transfer from the Audit Commission to Ernst & Young in 2013/14 (£0.032m).

F2 Operational Support

	2014/15 £'m
Operational Support	
- Criminal Justice (Witness Care / Case Progression)	0.080
- Criminal Justice (Language Line)	0.110
Total Operational Support	0.190

- F2.1 The Criminal Justice review resulted in the centralisation of Witness Care staff at HQ and Case Progression staff at Hatfield Police station. The review provides savings of £0.080m in 2014/15.

- F2.2 Negotiations to reduce Language Line rates and reduced usage will provide savings of £0.110m in 2014/15.

F3 Protective Services

	2014/15 £'m
Protective Services	
- Joint Protective Services	1.081
- Hertfordshire Internal	0.155
Total Protective Services	1.236

- F3.1 In-line with other operational non LPC units, the JPS was set a savings target of 10% over the medium term. The savings proposals have been informed by a programme of peer review and inspection. JPS are undertaking a lean processes review to identify the most effective deployment models and processes and are working with the College of Policing in this exercise. The work has incorporated a clearer definition of service delivery expectations and a review of demand levels for the delivery of specialist policing services. Savings of 5.0% or £1.081m have been targeted for Hertfordshire in 2014/15 with a great majority of savings within the Roads Policing, Major Crime, Armed Policing and Scientific Services units. There have been continued reductions in crime levels in a number of areas of demand for specialist services. In the current year spend has been broadly in line with this reduced level of budget provision, largely as a result of operating with vacancies in these units. The

2014/15 budget savings, which are subject to review by Chief Constables, incorporate proposals relating to shift patterns that would serve to minimise the reliance on overtime and proposals relating to the location of operational and training bases. The savings take into account of the introduction of new allowance arrangements relating to Scientific Services staff. In the medium term JPS will look to review the scope to benefit from collaborating on the delivery of Protective Services across the wider region.

- F3.2 Hertfordshire only Protective Services will generate savings of £0.155m following the implementation in 2013/14 of changes to telephone subscriber checks arising from a Home Office led initiative to centralise costs and restrict charges from providers as well as reduced demands from major crime investigations (£0.120m). In addition £0.035m will be saved from consortium charges following the introduction of the National Police Air Service in October 2012.

F4 Full Year Effect of Previous Decisions

	2014/15 £'m
- Assistant Crime Investigators	1.170
- Front Enquiry Offices	0.248
- Education Support PCSOs	0.300
- Joint Protective Services – Dogs Unit and MCU	0.217
- Corporate Services Review	0.123
- HR Review	0.206
Total Full Year Effect of Previous Decisions	2.264

- F4.1 The Crime Investigation review reported in early 2013 that with the back drop of reduced crime levels and a relatively high positioning in the HMIC VfM benchmarking data, a phased reduction in non-warranted police staff assistant investigator posts could be achieved during 2013/14 with a minimal impact on performance. The full year effect of this 2013/14 saving allows a further reduction to budgets of £1.170m in 2014/15.
- F4.2 A number of changes to the provision of Front Enquiry Offices have been made in recent years and a post implementation review reporting in early 2013 proposed further changes to better match provision to the volume and type of work carried out at custody and non-custody stations. As a result Front Enquiry Offices at non-custody sites have been closed and a staffing restructure implemented, allowing £0.248m of full year effect savings to be removed from the budget. As public access moves away from the traditional front enquiry counter the Constabulary is continually seeking to provide the public with easy access to SNTs in ways that reduce the public's need to visit police stations. These include a commitment to provide at least one engagement opportunity per neighbourhood, per month, through events such as street meets, barn meets, surgeries and public meetings. All of these are advertised on the internet and locally. In addition the public can access SNT

officers direct via e-mail, social media and leave a message if not on duty. The Constabulary is also looking to develop ways in which the public can access services directly on-line including tracking case progress, applications and payment.

- F4.3 The 2013/14 budget included the removal of £0.600m of partner funding towards the cost of PCSOs and particularly the Education Support roles. The Constabulary part funded these costs in 2013/14 from the use of £0.300m of one-off reserves in order to allow a phased withdrawal of these posts and to ensuring provision was maintained until September 2013. The 2014/15 budget reflects the full year effect of this decision. Looking forward, generic PCSOs will continue to work with schools to provide a visible presence, patrolling in and around schools, problem solving and investigating crimes that occur on school premises or those that have specific links to school activities.
- F4.4 Savings in Joint Protective Services (JPS) for 2013/14 within the Dogs and Major Crime units provide full year effect of £0.217m for 2014/15
- F4.5 The full year effects of reviews of HR and Corporate Services generate savings totalling £0.329m.

CAPITAL PROGRAMME.

G1 Estate Programme - £0.915m

- G1.1 The estate strategy has considered the need to rationalise and develop the existing estate, in order to efficiently deliver operational policing and associated support functions. This approach recognises the need for investment in existing sites considered to be in geographically strategic locations, but in need of development or replacement to ensure they meet long-term operational requirements. In addition, the strategy identifies sites where the utilisation of space is not compliant with agreed standards and where there is a strong case for relocation and subsequent disposal.
- G1.2 Costs arising from planned relocations and site-sharing have been weighed up against the potential to generate capital receipts through the subsequent disposal of certain properties. Planned disposals currently include North Watford SNT base in 2014/15 and St Albans and Borehamwood in 2015/16.
- G1.3 Table 1 below summarises the resulting programme of estate developments and minor works:

Table 1: Estate Programme

Planned Expenditure	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
Estate Support Costs	0.600	0.705	0.350	0.350	2.005
Minor Works	0.315	0.315	0.315	0.315	1.260
Total	0.915	1.020	0.665	0.665	3.265

- G1.4 New areas of investment in 2014/15 include work at Cheshunt to relocate SNT, intervention, and investigative teams from Hoddesdon. Costs will also be incurred on a feasibility study for the location of a new custody suite in the west of the county. It is anticipated that the main cost of any new development will be included in the medium term capital programme following preparatory work and subject to business case approval. In addition, an allowance is included to meet the cost of further co-location or site sharing opportunities as they arise. The programme total of £0.600m will be augmented by planned slippage from 2013/14 of £1.322m, giving total budget funding of £1.922m for estate developments.
- G1.5 The planned slippage of £1.322m from 2013/14 includes existing funding of £0.845m for a proposed eight lane, 100m firing range on the Headquarters site. A further £0.155m has been earmarked in the 2015/16 programme to supplement this amount, giving a total planned budget for the range of £1.000m. No allowance is made at this time for the potential further design and delivery of a subsequent skills house facility. There is expected to be scope for generating revenue income from other forces, due to the lack of

similar sites on police premises in this part of the country, and growing uncertainties around the continuing availability of military ranges. The project is being taken forward by the Estates Department and Joint Protective Services and therefore the overall cost of the facility will be partly funded through revenue charges from Bedfordshire and Cambridgeshire.

- G1.6 Slippage from 2013/14 also includes an allowance of £0.050m for feasibility work around the renovation and replacement of ageing buildings on the Headquarters site. The general condition of these buildings means that they have become costly to run and maintain, and it is anticipated that new energy efficient builds could enable the demolition of some of the existing structures. A business case will be developed before any work is progressed, and an appropriate capital budget will be included in the medium term capital programme once timescales and costs have been assessed.
- G1.7 Planned minor works for 2014/15 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).

G2 Information Communication Technology (ICT) Investment Programme - £2.245m

- G2.1 The Information Systems Strategy seeks to balance investment costs with benefits from improving core infrastructure and systems within Hertfordshire, and as part of an integrated approach across the Strategic Policing Alliance (SPA). This includes recognising new technology trends and providing investment to ensure that the force's infrastructure is suitable for operational needs.
- G2.2 As set out in section 9.3, the 2014/15 ICT programme has been reviewed in light of 2013/14 slippage and need for new funding has been reduced by £1.959m in 2014/15 and rephrased throughout the medium term, to better reflect the anticipated spending capability of the department.
- G2.3 Certain key themes have been considered when setting the IS Strategy for 2014/15 and beyond.
- Increasing financial constraints faced by the SPA mean there is a need for a consolidated approach to processes and procedures within the ICT environment. There is a greater need for relevant and timely information to ensure best use of resources, including the leveraging of legacy investment within ICT.
 - The provision of an integrated ICT platform across the SPA allows ICT to become a key enabler in improving services to the public through innovation, cost effectiveness and smarter ways of working.
 - An integrated environment also helps ensure that information is more freely accessible across the SPA, allowing a closer alignment of operational and back office collaboration.

G2.4 The ICT capital programme has been developed to both meet the systems, communications and infrastructural needs of Hertfordshire, and also to integrate across the SPA and where appropriate, the wider region. The ICT programme is set out in table 2 below:

Table 2: ICT Investment Programme

Planned Expenditure	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
ICT Information Systems	0.322	1.810	0.210	0.210	2.552
ICT Infrastructure	1.020	0.800	0.550	0.950	3.320
ICT Communications / Airwave	0.375	0.400	0.400	2.655	3.830
Collaboration Work Streams	0.111	0.460	0.760	0.200	1.531
Programme Metis	0.417	0.130	0.130	-	0.677
Total	2.245	3.600	2.050	4.015	11.910

ICT Information Systems

- G2.5 **Mobile Data - £Nil 2014/15 new funding (plus £1.159m slippage / rephasing from 2013/14)** – Work will focus on continuing investment in hand-held devices, and the completion of the programme to equip vehicles with Toughpads. A proportion of this investment could be met from a pending grant bid to the Police Innovation Fund. Planned expenditure in 2014/15 includes an initial rollout of HP tablets to senior and middle managers, and a fuller rollout of handheld devices following the development of a suitable solution.
- G2.6 **Athena - £Nil 2014/15 new funding (plus £0.555m slippage from 2013/14)** – Athena is the eastern-region lead replacement for core legacy applications, including Custody, Case Preparation, Intelligence, and Crime. Work in 2014/15 will include module implementation (£0.178m), local interface development (£0.082m) and hardware peripherals for custody (£0.027m).
- G2.7 **Digital Evidence - £0.142m 2014/15 new funding (plus £0.168m slippage from 2013/14)** – This is the second phase in the tri-force provision of a data repository for the networked storage of digital interviewing data and associated datasets, including CCTV and body worn video.
- G2.8 **Other Projects - £0.190m 2014/15 new funding (plus £0.159m slippage from 2013/14)** – Other work includes small IS systems (£0.080m), ANPR cameras and equipment (£0.060m), datawarehouse and MOPI / PND (£0.050m), and potential contribution towards an EU grant funded facial recognition system (£0.080m).

ICT Infrastructure

- G2.9 **Microsoft Enterprise Agreement - £0.250m 2014/15 new funding** – This is the second year of a three-year agreement to re-licence the Microsoft suite of products, including SharePoint.
- G2.10 **PC / Printer Replacement Programme - £0.220m 2014/15 new funding** - The force will continue its annual replacement programme for desktop computers and printers, which are typically replaced every four to five years, using effective procurement routes. In addition, migration towards a more mobilised workforce will be achieved by the replacement of some desktops with devices such as laptops and tablets.
- G2.11 **Platform Development - £0.170m 2014/15 new funding** - It is anticipated that developments will continue to focus around increasing storage system capacity and investing in alternative hardware to help reduce on-going revenue support costs.
- G2.12 **Network Servers - £0.130m 2014/15 new funding** – To replace network switches nearing the end of their useful life.
- G2.13 **Desktop Software, Outlook, Exchange etc. - £0.100m 2014/15 new funding** – Continuing investment to support migration to a single Exchange across the three-force area.
- G2.14 **Other Infrastructural Work - £0.150m 2014/15 new funding** – Other planned work includes CJX development (£0.090m), and Hertfordshire's share of storage area network (SAN) replacement (£0.060m).

ICT Communications (Including Airwave)

- G2.15 **Airwave Covert Systems - £0.200m 2014/15 new funding (plus £0.039m slippage from 2013/14)** – This work will facilitate the replacement of covert equipment in some of the vehicle fleet, however decisions regarding the emergency services mobile communications programme (ESMCP) may influence the scope of this expenditure.
- G2.16 **Airwave Terminal Replacement / Refresh - £0.020m 2014/15 new funding (plus £0.095m slippage from 2013/14)** – This is the continued replacement of handheld airwave terminals as required.
- G2.17 **Other Communications Work - £0.155m 2014/15 new funding** – Other communication expenditure will include IPT telephony systems (£0.065m), automatic call distribution (£0.040m), and other small developments (£0.050m).

Collaboration Work Streams

- G2.18 Integrated Command and Control System (ICCS) Replacement - £0.111m 2014/15 new funding (plus £0.459m slippage / rephrasing from 2013/14) –** The provision of a replacement ICCS solution in Hertfordshire is currently dependent upon decisions to be made within the operational support work-stream, although the existing system is likely to have a limited remaining life.
- G2.19 Enterprise Resource Planning (ERP) System - £Nil 2014/15 new funding (plus £0.500m slippage / rephrasing from 2013/14) –** The procurement of replacements for legacy HR and Finance systems will be dependent upon the outcome of the Business Support work-stream. A proportion of this investment could be met from a pending grant bid to the Police Innovation Fund.
- G2.20 Network Servers - £Nil 2014/15 new funding (plus £0.100m slippage from 2013/14) -** The provision of an Intrusion Prevention System (IPS) will provide protection to the server estate, particularly in light of Hertfordshire hosting of STORM, and greater risk of attack due to networking extended to both Beds and Cambs. Expenditure will be reviewed in line with the direction of the organisational support work-stream.

Programme Metis

- G2.21 Digitisation / Online Services - £0.417m 2014/15 new funding -** Initial investment is targeted at enabling residents of Hertfordshire to access services online, as well as providing an upgraded and converged architecture to support the provision of a tri-force internet and intranet. It is anticipated that this work will be delivered through a Metis work-stream. A proportion of this investment could be met from a pending grant bid to the Police Innovation Fund.

G3 Fleet - £1.528m

- G3.1** The force maintains a target fleet of 554 vehicles, and has a rolling replacement programme based on vehicle age, condition and mileage. Vehicles are typically replaced every four to five 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.
- G3.2** The Hertfordshire fleet replacement programme for 2014/15 has been set at £1.528m, including £0.172m to complete the replacement of existing dog vehicles from Zafiras to Mitsubishi Outlanders.

Table 3: Fleet Replacement Programme

Planned Replacement	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
Hertfordshire Fleet	1.481	1.394	1.352	1.387	5.614
ERSOU Fleet (Hertfordshire's Share)	0.047	0.048	0.046	0.044	0.185
Total	1.528	1.442	1.398	1.431	5.799

Table 4: Fleet Replacement Numbers

Planned Replacement	2014/15	2015/16	2016/17	2017/18	Total
Hertfordshire Fleet	86	87	91	95	359
ERSOU Fleet	11	15	15	12	53
Total	97	102	106	107	412

G4 Technical and Specialist Equipment - £0.550m

G4.1 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 5: Planned Technical and Specialist Equipment Programme

Planned Expenditure	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
Technical Support Unit - Hertfordshire	0.100	0.050	0.050	0.050	0.250
Technical Support Unit - Regional	-	0.050	0.050	0.050	0.150
Specialist Equipment	0.250	0.250	0.250	0.250	1.000
Capital Challenge Fund	0.200	0.200	0.200	0.200	0.800
Total	0.550	0.550	0.550	0.550	2.200

G4.2 Technical Support Unit (£0.100m) – Investment in 2014/15 will focus on new and improved technology, and the rolling replacement of basic stock. This is expected to include Hi tech crime unit equipment, LPC trap assets, audio probes and cameras, and cybercrime equipment to support local delivery of the ERSOU regional unit.

G4.3 Specialist Equipment (£0.250m) - The use of this will be strictly controlled, and benefits arising from this investment will be assessed before funding is committed.

G4.4 Capital Challenge Fund (£0.200m) – following the success of the 2013/14 fund, a similar bidding process will be undertaken in 2014/15. Bids will once again be assessed by the Chief Officer team to ensure that investment is in line with Police and Crime plan objectives.

G5 Collaboration - £0.100m

G5.1 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. Part of this provision is likely to be needed to cover Hertfordshire's share of secure dangerous dog kennelling, which is currently expected to cost £0.220m in total across the three forces.

Table 6: Collaboration Capital Costs

Planned Expenditure	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	Total £m
Collaborative Working	0.100	0.150	0.150	0.150	0.550
Total	0.100	0.150	0.150	0.150	0.550

MINIMUM REVENUE PROVISION POLICY

H1 Background

H1.1 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 2014/15 on his 2013/14 capital expenditure.

H1.2 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.

H2 DCLG Prudent Minimum Revenue Provision Options

H2.1 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.

H2.2 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).

H2.3 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.

H2.4 For 2013/14 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 2014/15.