

Police and Crime Commissioner

for Hertfordshire

MEETING	POLICE AND CRIME PANEL
DATE	1st February 2018
TITLE	The Police and Crime Commissioner's 2018/19 Precept and Budget Proposal
SUBMITTED BY	The Chief Financial Officer of The Chief Constable and The Chief Financial Officer of the Police and Crime Commissioner

1. SUMMARY

- 1.1 **In line with the requirements of the Police and Social Responsibility Act 2011, the purpose of this paper is to present to the Police and Crime Panel the Commissioner's precept proposal for 2018/19. The Police and Crime Commissioner (Commissioner) is proposing to increase the Band D Council Tax by £12.00 (7.9%) to a figure of £164.00.**
- 1.2 At the time of writing the report we have received provisional settlement information from the Home Office for 2018/19 grant funding. We expect final information in early February. Any final movements in grant funding will be reflected in the Commissioner's budget report which goes to the Strategic Executive Board meeting on 26 February alongside any further information that is required in concluding the Commissioner's proposed budget for 2018/19. Similarly this report includes the latest Council Tax Taxbase and Collection Fund information from the District Councils. The deadline for confirming these figures is 31 January and if there is updated information it will be reported to the Panel at the meeting.
- 1.3 This report sets out the precept proposal alongside the 2018/19 budget and the Medium Term Financial Strategy. The budget proposals are consistent with the PCC's Community Safety and Criminal Justice Plan.

- 1.4 In the provisional settlement the Policing Minister highlighted the representations from a number of PCCs asking for more precept flexibility and announced that in 2018/19 PCCs will be able to increase precept by £12 and it is the Hertfordshire PCC's proposal to do so. This represents a 7.9% increase and will generate on-going income of £5.298m per annum and after taking into account the increase in tax base and collection fund surplus, total council tax income will increase by £6.126m.
- 1.5 A significant proportion of the additional precept income will be used to invest in neighbourhood policing teams, providing 35 officers for the Operation Scorpion units to help tackle burglary, anti-social behaviour and drug-related crime. There will also be additional part-year funding for 71 new posts in the Force Control Room where 999 and 101 calls have risen dramatically since the terrorist attacks in Manchester and London, and the Investigation Management Unit to address the sustained increase in demand seen during the last year. There will be a step change in the support provided to victims. The Constabulary's Victim Services Team will deliver an uplift in the quality of victim services as defined in a new Service Level Agreement which codifies the requirements of the Victims Code of Practice. The development of an enhanced Beacon will provide enhanced and specialist support to victims and outreach programme to extend services to those victims who do not report to the police.
- 1.6 The OPCC is forecast to have reserves of £34.370m by the end of 2017/18, a reduction of £8.145m since the previous year. As set out in the Reserves Plan (Section 6) it is projected that over the medium term period (2018/19 – 2022/23) reserves will be drawn down to the level of £7.9m, thereby:
- a) providing base budget support to offset the impact of grant funding being maintained in cash terms,
 - b) enabling the force to fund time-limited restructuring costs that generate on-going efficiencies and assist in balancing the budget over the medium-term,
 - c) reflecting the government's desire for each force to have a clear plan to use reserves in the medium term.

- 1.7 Hertfordshire has a good track record of financial management, generating on-going gross savings of £36.8m since 2012/13. Some £14.5m of this relates to Collaborative savings with £8.9m achieved in Joint Protective Services and £5.6m in Organisational and Operational Support areas. HMIC have recently graded Hertfordshire as good in terms of Efficiency.
- 1.8 The force will continue to deliver efficiency savings to assist in balancing the budget. Constabulary savings in 2018/19 total £1.2m. It is planned that over the coming years there will be a greater emphasis on achieving efficiencies through the Seven Force Collaboration Programmes. In addition the PCC is progressing measures to optimise the planning and use of capital assets. The Constabulary's work on improving demand management is another means by which efficiencies and productivity improvements can be achieved.
- 1.9 The Medium-Term Financial Plan will be updated on an annual basis taking into account financial risks, the main ones being the scope to achieve further savings and the government's approach to public sector pay. In response to these uncertainties there is scope to re-phase the use of reserves over the Medium-Term, and there is scope to further increase precept levels during the medium-term period. The Police Minister has signalled the intention to allow PCCs to increase precept by a further £12 in 2019/20 dependent on progress against a number of efficiency milestones which are yet to be agreed.
- 1.10 Building on the medium term financial strategy, the key issues in constructing the 2018/19 budget have been:
- An increase in precept income of £6.126m arising from the £12.00 (7.89%) increase in Band D Council Tax and the £0.828m growth in the Council Tax base and collection fund surplus.
 - A cash freeze Home Office settlement grant funding.
 - Standstill spending pressures of £3.908m.
 - The investment of £3.000m in Constabulary base budgets and £0.163m in PCC Commissioning budgets.
 - A savings programme totalling £1.200m in 2018/19.
 - Use of £4.185m of reserves to support the base budget.
 - Time-limited Constabulary and OPCC spending pressures of £3.232m funded from Specific Reserves.
 - A reduction of £7.417m in reserves as they are used to support the budget.

1.11 Table 1 below sets out the funding of the 2018/19 net budget including the resultant Council Tax Requirement.

Table 1 : 2018/19 Budget and Council Tax Requirement

	£'m
Net Budget 2017/18	184.116
Standstill Pressures	3.908
Investment	3.163
Savings	-1.200
Prior Year Use of Base Reserves	4.440
2018/19 Use of Base Reserves	-4.185
Time Limited Spending	3.232
Use of Specific Reserves	-3.232
Net Budget 2018/19	190.242
Less Home Office Settlement Grants	-116.485
Less Collection Fund Surplus	-1.352
Council Tax Requirement 2018/19	72.405

1.12 The report sets out the following information:

- Section 2: Police and Crime Plan, Performance Context And Financial Baseline
- Section 3: 2018/19 Funding Settlement
- Section 4: Precept Proposal
- Section 5: Standstill Budget and Time Limited Pressures
- Section 6: Reserves Position
- Section 7: 2018/19 Constabulary Investment Pressures
- Section 8: 2018/19 and Medium Term Savings
- Section 9: Police and Crime Commissioner Budget
- Section 10: Medium Term Financial Plan 2018/19 to 2022/23
- Section 11: Capital Programme

2. PRIORITISATION, PARTNERSHIP AND INNOVATION, DEMAND AND PERFORMANCE , FINANCIAL BASELINE AND BENCHMARKING

2.1 Prioritisation

2.1.1 In developing budget proposals and the Medium-Term Financial Plan the Chief Constable has strong regard to:

- The PCC's key ambitions as set out in the Community Safety and Criminal Justice Plan
 - Keep crime low
 - Protect local policing
 - Increase efficiency
 - Keep tax low
 - Focus on victims.
- The National Strategic Policing Requirement (including terrorism, serious and organised crime, cybercrime, civil emergencies and child sexual abuse).
- The changing picture relating to performance and the scope to improve efficiency and demand management.

In response to these priorities and challenges the Chief Constable is seeking to enhance resourcing in Neighbourhood Policing Teams, the Force Control Room and Investigation Management Teams to improve the service to victims of crime.

2.1.2 The Chief Constable recognises that the model of neighbourhood policing serves the Constabulary and communities well, with identifiable neighbourhood teams across the county led through the ten Local Policing Commands. As the bedrock of neighbourhood policing the Chief Constable wishes to retain and if possible strengthen this structure, including the significant contribution made by Police Community Support Officers. The Constabulary seeks to ensure neighbourhood policing is at the forefront of further developing its problem solving approach to issues of crime and disorder within communities. In addressing the causes of such problems longer term resolutions are secured, which in turn reduces the number of victims, reduces crime and overall demand for policing services.

The ability to deliver this style of neighbourhood policing is being challenged by the overall growth in demand for policing services, an increase seen not just in Hertfordshire but nationally. The increased demand has come in many forms; 999 calls are up around 20% with many days throughout the summer being in excess of the traditional highest annual call volume received on New Year's Eve; the complexity of investigations has increased, for example because of the internet; the number of high risk missing people has risen; the actions police take to reduce risk and safeguard vulnerable individuals are rightly more significant and involved than previously; and as confidence in policing grows (as shown by the continued narrowing of the gap between

police recorded crime and the Crime Survey of England and Wales) more crime and incidents are reported. The combined effect of these and other demand factors mean that Constabulary resources are busy and this naturally places additional pressure onto neighbourhood policing teams to support colleagues, such as those in our Intervention teams dealing with the immediate policing pressures. Any reductions to the amount of time teams are able to spend problem solving and by consequence reducing overall demand becomes counterproductive. It is for this reason that the Constabulary wishes to retain neighbourhood policing as our bedrock, maintain our PCSO problem solvers within these teams and additionally have scope to invest further to provide additional proactive neighbourhood capability within each of our CSPs. This will reduce the abstractions from these teams to support the day to day response demands upon the Intervention teams.

- 2.1.3 A significant pressure point this last year has been within the Force Control Room. The changes that have been made to better assess the nature of the call and the policing response required have been well received by the inspectorate. This has undoubtedly made the Constabulary far better in managing risk at the first point of contact, but coupled with the sharp increase in call volumes it has made it more challenging to answer all the calls received promptly. It is important that the much improved victim focus within the control room is not sacrificed for improving the call answering times which means that an investment in staffing into the Control Room is required to create more call handling capacity. Alongside this the Constabulary will be working to consider and introduce new technologies that assist with our initial call taking and management, including seeking to expand our webchat and online offerings, such as reporting incidents and crimes, to the public.
- 2.1.4 Having a truly victim focused approach throughout the Constabulary is a key priority. Investment in the Control Room will assist with this and another important step in that direction is to transition to the Athena crime management system that will occur in May 2018.

2.2 Partnership and Innovation

- 2.2.1 The Constabulary has always enjoyed strong relationships throughout Hertfordshire with partner organisations, be that working to improve community safety or the functioning of the criminal justice system. In the years ahead the Constabulary will be seeking to build further upon this strong base, particularly around a more efficient and effective systemic approach to the issues creating demand for services across our boundaries. This will require improving information sharing, participating in joint initiatives, encouraging further innovation and being prepared to pool funding. There are opportunities through this for all the organisations involved to enter into shared solutions that will reduce the demand for services upon all organisations, for example as a result of mental health. The Constabulary strongly believes in the benefit of partnership working to improve problem solving, increase the efficiency and effectiveness of all partners, improving the services delivered to the public as a whole whilst also reducing demand on our services. We would be keen to seek and exploit, with our partners, further opportunities to deliver

innovative and positive change into this space, including how we can lever technological advances to assist.

- 2.2.2 The Constabulary is also a key component of the criminal justice system and wishes to work still more closely with our criminal justice partners to further improve the effectiveness of the system for victims. This will require improved information sharing and understanding across the whole system to provide seamless services that are victim focused but that also works more effectively to address reoffending, including providing Community Remedy and Restorative Justice options. The Constabulary would like to further develop its digital capabilities to interact more effectively and efficiently with all our criminal justice partners, enabling it to provide a service that is as accessible to the public as the best digital services available.
- 2.2.3 The potential transfer of fire and rescue governance to the PCC would enable a step change in driving forward collaboration between the Fire and Rescue Service and the Constabulary, feeding into the Police and Crime Plan's ambitions to improve community safety and prevention. A decision is likely to be made by the Home Secretary before the end of the 2017/18 financial year. In the event of a decision to transfer, preparatory work will be on-going during the 2018/19 financial year.

2.3 Demand and Performance

2.3.1 Across the range of measures Hertfordshire continues to perform well compared to its peer group but is experiencing increasing levels of demand particularly regarding Protective Demand. Since 2014 the force has experienced:

- 48% increase in reported Domestic Abuse.
- 47% increase in rape offences, with the level of historical domestic rape continuing to rise.

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

2.3.2 In the last year the force has experienced an increased volume of calls received from the public and offences:

- 10% increase in 999s and 2% on 101s. In the recent period since the terrorist incident in Manchester the force has experienced an 18% increase in 999s and 7% increase in 101s.
- Violence against the Person was up by 2,347 crimes (19.8%); 3rd position within our MSG.
- Dwelling Burglary/Residential Burglary Dwelling is up by 611 offences (38.4%) compared to the same period last year.

- Vehicle Crime was up by 1,061 crimes (26.4%), but remaining in 5th position within our MSG.
- All crime (YTD) is up 8,018 crimes (14.6%) compared to the same period last year. It is estimated that in 2017, 54% of the rise is due to improved compliance and 46% due to a real rise in crime. Irrespective of the source, the increase in crime volume places investigative strain on the organisation.

In 2017 HMICFRS inspected Hertfordshire's crime data integrity and found compliance to be at 87.2%, suggesting the remaining 12.8% represents crime not properly recorded. As the Constabulary continues to pursue a target of 100% recording accuracy, this is likely to impact on recorded crime levels.

2.3.3 With regard to other measures of performance:

- 'In house' Victim Satisfaction Surveys ^[3] show relatively high levels of 'whole experience' satisfaction for victims of Dwelling Burglary (91%) and Vehicle Crime (83.5%). Satisfaction is lower for victims of Violent Crime (76.2%). Please note that since 1 April 2017, there has no longer been a Home Office requirement for Victim Satisfaction Surveys as a result of which we are no longer provided any MSG positions.
- Crime Survey of England and Wales (CSEW) data^[4] suggests 83.6% of those surveyed in Hertfordshire had confidence in their local police (1st MSG) and 67.3% believed they were doing a good or excellent job (2nd MSG).
- Call handling performance year to date sits at 75% of 999 calls answered within 10 seconds and 54% of 101s answered within 30 seconds.

2.3.4 Demand Management

In the recent HMIC Inspection relating to Efficiency the force was assessed as good overall and with regard to planning for demand, its use of resources to manage current demand and in understanding current and future demand. This represented an improved assessment compared to last year and reflects the Constabulary's development of a Demand Management and Productivity Strategy. Throughout 2017 work was undertaken through Project Odyssey to apply this approach across our Intervention and Neighbourhood policing teams, and this has shaped the Constabulary's investment priorities. It is anticipated that over the coming year there will be greater use of evidence based demand analysis to shape services so that they better address the sources of demand, and more effectively prioritise resourcing internally and with partner agencies.

^[3] Survey data is for the period 01/04/17 to 31/10/17.

^[4] CSEW survey data is for the 12m period to 30 June 2017.

2.4 HMIC Financial Benchmarking

2.4.1 HMIC have recently published their annual Value For Money profile that compares force position against Most Similar Group (MSG) and nationally (41 forces), using 2017/18 budget data and March 2017 workforce, demand and crime data. The key points to note are that Hertfordshire has:

- Between 20th -25th highest level of demand per '000 of population for 999 calls (24th), emergency incidents (25th) and recorded crime (25th).
- Overall spend nationally 29th highest, 8.2% below the average, MSG 4th highest and 2.4% above the average.
- Local policing (the biggest area of spend- £80m) Hertfordshire is spending 3.1% above the national average and 13.9% above the MSG level. Hertfordshire is spending a greater proportion of budget on local policing (41.9%) compared to the National and MSG averages (38.5%) in line with the PCC's commitment to maintain resourcing in local policing.
- Hertfordshire's proportion of spend on frontline policing (72.0%) is higher than the national (69.9%) and MSG (70.9%) averages (equivalent to £2.7m greater frontline spend) and conversely is lower in both business support and operational support areas (in both areas is 6th highest out of 8 in MSG).
- Spend on all other areas (grouped together) is 10.5% below the national average and 1.7% below the MSG average. Hertfordshire is spending below or at national and MSG average for Public Contact, Custody, Criminal Justice, HR including Training, ICT, Estates and Joint Protective Services. This raises questions about the scope to take further savings in these areas and the potential impact on service levels. Appendix B provides further detail on specific services areas.

2.5 Financial Baseline

2.5.1 The 2017/18 budget represents a financial baseline of £184.1m for net expenditure (£202.2m gross) which is funded from government grant and precept. Net expenditure in 2018/19 will increase to £190.2m.

2.5.2 Table 2 below sets out a high level summary of the budget and shows that gross expenditure will increase by circa £6.6m (2.5%) to £208.8m in 2018/19. The increase in gross expenditure is predominantly funded by the increase in council tax income. The allocation of expenditure across the main service areas is based upon the best information available at the time of writing the report. We still await information on the allocation of smaller specific grants

and the 2018/19 gross expenditure figure may have to be amended to reflect the final allocation. Appendix A sets out the 2017/18 gross budget for cost centres included within each grouping.

Table 2 : 2017/18 and 2018/19 Budget Summary

	2017/18 Gross Budget £'m	2018/19 Gross Budget £'m
Local Policing Command & Crime Reduction	96.6	99.6
Protective Services	29.1	28.9
Operational Support	27.8	30.3
Organisational Support	34.8	34.6
Hertfordshire Corporate Budgets	6.9	7.4
Change & Operational Capability / Other Constabulary One Off	2.1	2.1
Total Constabulary	197.3	202.9
Office Of The Police And Crime Commissioner	1.6	1.6
Commissioning Budgets	3.3	4.3
Total Office of the PCC	4.9	5.9
Total Revenue Budget	202.2	208.8

2.5.3 Net base spending in 2017/18 is forecast to be circa £1.0m overspent, arising from the Policing Minister's decision to award an additional 1.0% non-consolidated pay bonus to officers and the need to accelerate recruitment to support the FCR and Crime Investigation investment plans built into the 2018/19 budget.

3 2018/19 FUNDING SETTLEMENT

- 3.1 The 2018/19 provisional funding settlement generates a cash grant for Hertfordshire of £116.485m, and as set-out in the table below represents no cash change on the 2017/18 settlement.

Table 3 : Summary of Grant Changes

	2017/18 £'m	2018/19 £'m	Change £'m
Police Formula Funding Grant	106.257	106.257	0.000 (0.0%)
Council Tax Legacy Grants	10.228	10.228	0.000 (0.0%)
Net Grant Funding Change	116.485	116.485	0.000 (0.0%)

- 3.2 In addition referendum rules have been relaxed to allow all PCC's to increase band D Council Tax by up to £12 (which is considered in Section 4) . The main elements of the funding settlement are set out below.
- 3.3 The Provisional Settlement for the Police Service was announced on the 19^h December setting out a cash freeze core grant position for 2018/19 to all forces Police Grant (including legacy council tax grants). The Home Office set an overall control total for policing including assumed precept income (termed direct resource funding) of £11.312bn in 2018/19, a 2.9% cash increase on 2017/18.

Table 4 : National Provisional Police Settlement Summary of Grant Changes

	2017/18 £m	2018/19 £m	Change %
Core Grant Funding	6,962	6,962	0
Legacy Council Tax Grants	545	545	0
National & International City Grants	178	178	0
Precept	3,307	3,627	9.6
Total Direct Resource Funding	10,992	11,312	2.9
Reallocations & Adjustments	812	945	16.4
	11,804	12,257	3.8

The Provisional Settlement also contains £945m (16.4% increase on 2017/18) of Reallocations and Adjustments to fund national priorities. Over half of this relates to Police Technology Programmes to support the Emergency Services Network and other initiatives. The Transformation Fund has been held at £175m and includes £29m towards armed policing. It has been confirmed that future allocation of this grant will be for commissioned works rather than bids.

- 3.4 The Policing Minister has also signalled the aim of maintaining a broadly flat Police Grant in 2019/20 and retaining the Council Tax referendum limit at £12 in 2019/20 conditional on the delivery of productivity and efficiency gains.

- 3.5 With regard to the Force medium-term projection it is assumed there will be an on-going cash freeze in grant.
- 3.6 The Final Settlement will be announced in early February and so the grant figures set out above in Tables 3 and 4 may change. In recent years these changes have been minimal.
- 3.7 As set out above the Provisional Settlement confirmed that the £10.2m of ring fenced council tax legacy grant that Hertfordshire currently receives will be retained in 2018/19. Whilst this funding remains ringfenced there is a risk of its removal in future settlements – potentially through formula review or policy change. The Policing Minister has indicated that the funding formula will not be reviewed until the next Spending Review. Hertfordshire Capital Grant funding in 2018/19 has been maintained at the level of £0.587m.

4 PRECEPT PROPOSAL

- 4.1 **After taking into account the overall financial position of the force the Commissioner proposes to increase the Band D Council Tax by £12.00 (7.9%) to £164.00p, generating an increase in funding of £5.298m.** The resulting council tax bands and indicative district precepts are set out in Appendix D.

In 2017/18 Hertfordshire increased its Band D council tax by 3.4% to £152.00p. The 2017/18 year's increase followed an £0.82p decrease in 2016/17, prior to which the Band D had been held at its previous level of £147.82p since 2010/11. The HMIC Value for Money Profile sets out Hertfordshire's Band D Council as the fourth lowest in England and Wales, some 16.9% below the National Average and 9.9% below the Most Similar Group.

As set out above as part of the funding settlement the Policing Minister announced that in 2018/19 PCCs will be able to increase council tax precept levels by £12, before the need for referendum. The Minister noted that 'this gives PCCs the flexibility to make the right choices for their local area to protect frontline services'. The Minister also signalled the intention to allow PCCs to raise precept by a similar amount in 2019/20 but that this is dependent on the police delivering progress on productivity and efficiency in 2018.

- 4.2 An important element of precept is the tax base representing the number of Band D equivalent properties. District Councils have provided tax base and collection fund figures. These figures show an annual growth in tax base of 1.18% equivalent to £0.780m. In addition the collection fund surplus which is one-off income is forecast to increase slightly by £0.048m to stand at £1.352m. Based on these tax base and collection fund figures and the PCC's precept proposal, the budget builds in an overall increase in income from council tax of £6.126m to £73.757m in 2018/19.

- 4.3 If the increase in Council Tax income (including taxbase and collection fund) varies across the Strategic Alliance forces (Bedfordshire, Cambridgeshire and Hertfordshire) this would lead to a small re-allocation of charges across the three forces, necessitating a compensating adjustment in the use of Base Budget Reserve. It is anticipated that this would be reflected in the final budget paper submitted at February Strategic Executive Board.
- 4.4 Looking forward, our MTFP projection for 2019/20 – 2020/21 assumes that over the medium-term period the taxbase increases by 1.0% per annum. At this stage the Net Budget Gap projections assume the Band D Council Tax is maintained at the increased level over the medium term. The approach to precept will be reviewed by the Commissioner as part of the annual budget setting process.

5 STANDSTILL BUDGET AND TIME LIMITED PRESSURES

- 5.1 Table 5, sets out the forecast standstill budget over the medium term. The standstill budget delivers the same level of service as in the current financial year. Latest estimates are that the standstill budget will increase by £3.9m (2.1%) in 2018/19. The detailed yearly movement in the standstill budget is explained in the paragraphs below. In addition cost pressures arising from one-off spending needs have been shown totalling £3.232m in 2018/19.

Table 5: 2018/19 to 2022/23 Cumulative Increased Standstill and Time Limited Pressures

	2018/19 £'m	2019/20 £'m	2020/21 £'m	2021/22 £'m	2022/23 £'m
Unavoidable Pressures:					
Staff and Officer Costs	3.188	5.596	7.312	9.046	10.797
Apprentice Levy	0.000	-0.360	-0.800	-0.800	-0.800
Non-Pay	0.620	0.905	1.190	1.475	1.760
Sub-Total: Unavoidable Pressures	3.808	6.141	7.702	9.721	11.757
Interest on Balances and Minimum Revenue Provision/ Capital Financing	0.100	0.260	0.960	1.230	0.860
Total Standstill Pressures	3.908	6.401	8.662	10.951	12.617
Constabulary and PCC Time Limited Pressures	3.232	2.562	1.760	1.560	1.258
Total Standstill and Time Limited Pressures	7.140	8.963	10.422	12.511	13.875

- 5.2 **Officer and Staff costs** – increases of £3.188m in 2018/19 and £10.797m up to 2022/23 - The police officer and police staff pay awards for 2018/19 are projected at £1.7m and £0.9m respectively reflecting an assumed 2.0% consolidated increase in September 2018. 1.0% has been assumed from

2019 onwards with the full year effect of the 2018 award included with 2019/20 figures. In addition the September 2017 pay award for police officers and projected pay award for police staff includes the payment of a 1.0% unconsolidated bonus for 12 months, over and above the base 1.0% pay award. The 2018/19 part year impact of this has been reflected in the above figure.

5.3 The overall impact of the above is a 2.0% increase in police officer and police staff pay budgets for 2018/19. In his letter accompanying the Provisional Settlement the Policing Minister made reference to the police officer pay settlement in relation to the improved funding position. The Policing Minister highlighted the additional funding announced together with procurement efficiencies as well as those identified in the HMICFRS Efficiency report as “enabling you [PCCs] to make appropriate provision for likely cost increases next year within your financial plans”. This includes both the remaining costs of the additional 1% non-consolidated element of the 2017 pay award as well as the likely costs of the 2018 pay award. The Minister went on to say that it is for police leaders to make proposals in relation to the 2018 pay award, reflecting what is affordable and fair to officers and taxpayers.

5.4 **Apprenticeship Levy £0.000m** in 2018/19 and - £0.800m up to 2022/23

From April 2017 all employers in the UK with an annual pay bill of more than £3 million have been charged an apprenticeship level equivalent to 0.5% of their total pay bill subject to Class 1A National Insurance contributions less an annual levy allowance of £15k. Employer levy payments will be credited to a digital account and credited by a further 10% and must be spent on the training of apprentices within 24 months. These costs were built into the 2018/19 budget. With regard to levy income, it is assumed this will be generated from April 2019, enabling subsequent recovery of both contributions paid in 2017/18 and 2018/19 and on-going contributions. This income stream is partially off-set by additional expenditure relating to provider and accreditation costs and double running costs. Work is on-going to develop the costing model taking into account apprenticeship pay-scales and the 35% abstraction rate. It is considered a medium level of risk should be applied to these projections recognising the intensive work that is required, including a procurement process and the reliance on the College of Policing to support the move to the new arrangements.

5.5 **Non-Pay Costs / Income** –increases of £0.620m in 2018/19 and £1.760m up to 2022/23

In the current financial year non-pay budget holders have absorbed the great majority of this year’s inflationary increase, with CPI standing at 2.8% in November. The latest bank of England forecast for inflation predicts CPI reducing to around 2.4% in Q4 of 2018. The 2018/19 standstill budget includes a provision of 1.8% or £0.620m inflationary pressure. This includes the cost of general inflation 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. There is a risk that spending pressures will increase in this area generating an overspend. In the first instance general inflation resource

equivalent to 1.0% will be allocated to non-pay budgets and budget managers will be asked to contain pressures in excess of this within their overall budget. In addition this area of expenditure will be closely monitored and control measures (virements, release of reserves) can be put in place in the event of materially higher spend pressures.

Emergency Service Network (ESN) - At this stage it is assumed that the introduction of ESN, the replacement for the Airwave, will be delayed until 2020/21 and that the existing charging arrangements will operate in 2018/19 and 2019/20. As a result of the delay the Home Office will face higher costs than anticipated (including the extension of the existing Airwaves contract) serving to put greater pressure on the remaining Police Grant funding. We await further detail on interim national funding arrangements and this should therefore be considered a Medium-Term financial risk. With regard to Force device and fit-out costs it is currently planned that these will need to be incurred between 2019/20 and 2021/22 and this will be reflected in the Capital Programme.

5.6 **Capital Financing Costs** – Increase of £0.100m in 2018/19 and £0.860m up to 2022/23. The pressure of capital financing costs arises due to:

- A reduction in investment income over the medium term as cash balances reduce in-line with the planned depletion of £26.4m of revenue reserves (see section 6). It is anticipated the investment income budget will decrease by around £0.2m over the medium term.
- The Medium Term Capital Programme set-out in Section 12 below shows increased expenditure on the Headquarters and local estate and assumes that capital receipts are fully depleted and consequently it will be necessary to utilise Capital Financing Requirement (CFR) to fund the programme. The costs associated with CFR include the requirement to make Minimum Revenue Provision as well borrowing costs or reduced interest on balances all of which fall on the revenue account. Over the medium term these costs are forecast to increase by £1.9m in total.
- In line with the recently approved Estates Strategy the Medium Term Standstill budget includes rental income arising from the development of surplus sites of £0.550m in 2021/22. In addition a provisional figure of £0.600m has been included for reduced estate running costs in 2022/23 arising from the more efficient operation of the redeveloped Headquarters site. Both the rental income and estates running cost figures will be reviewed on a regular basis to reflect the development of the proposals and subsequent award of contracts.

5.7 Looking forward, the medium term standstill budget is forecast at £11.657m up to 2022/23, reflecting a cumulative standstill pressure of 6.9%.

5.8 Time Limited / Change Resources - £3.232m

This resource represents spend on both change and ring-fenced purposes as set-out in Sections 6.6 and 6.7 below. The spend is funded entirely from specific reserves and it is projected that spend levels will reduce to £1.258m by 2022/23.

6 RESERVES PLAN

- 6.1 Hertfordshire has built up reserves through prudent financial management, and integrated the use of these reserves into the Medium-Term Financial Plan. As part of the funding settlement the Police Minister highlighted the need for PCCs to set out the rationale for holding reserves and a plan for using these reserves. The Minister's funding statement included a comparison of reserve levels across 42 forces as at March 2017 and at that point Hertfordshire had the 10th highest level of reserves, as measured against the level of grant and precept funding.
- 6.2 As set out in the previous year's budget and Medium-Term Plan the PCC has a clear plan to utilise reserves. The key elements of the Reserves Plan are set out below and further detail including the rationale and planned use of each reserve is set out in Appendix C. The Reserves Plan will be reviewed on an annual basis taking into account reserves usage and the wider precept and savings position so as to ensure there are adequate plans in place to align on-going spending with on-going funding over the medium-term.
- 6.3 It is projected that Base Budget and Specific Reserves of £8.1m will be used to support the budget in 2017/18 (£5.2m in 2016/17) and overall reserves are projected to stand at £34.4m at the end of the current financial year. Further work was undertaken in the summer to review and project forward reserve balances over the Medium-Term, freeing-up £0.9m of usable reserves which has been returned to the General Fund, further details are shown in Appendix C. Table 6 below sets out the main reserves breaking them down into those that can be used to support spend in 2018/19 and those that are ring-fenced for specific purposes:

Table 6 - Reserves As At 31st March 2018

	Projected Balance At 31st March 2018 £'m
Base Budget Support Reserve	16.2
Constabulary Specific Reserves	8.8
PCC Specific Reserves	1.5
Total Useable Reserves	26.5
General Reserve (Prudent Minimum Level)	6.0
Road Safety Reserve	1.5
Ring Fenced Constabulary Reserve	0.4
Total	34.4

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

6.5 Base Budget Support

It is assumed that a total of £16.2m of Base Budget Support reserve will be used in the following four years to mitigate the impact of increased standstill costs and the cash freeze in grant funding. However, the PCC will need to review the profile of reserves usage on an annual basis, taking into account the scope to make savings, the level of the precept and the need to align base spending and funding by the end of the Medium-Term period. The proposed use of reserves is sufficient to balance the budget until 2020/21 and base reserves would be depleted during 2021/22.

It is considered that a use of base reserves of £4.2m in 2018/19 provides sufficient future flexibility to address potential risks particularly in the event of an increased funding gap and put in place a revised Medium-Term Financial Plan including the ability to increase precept if required.

Table 7 : Use of Reserves to Support Base Budget

	2018/19 £'m	2019/20 £'m	2020/21 £'m	2021/22 £'m	2022/23 £'m	Total £'m
Use of Base Support Reserve	4.185*	5.178	5.689	1.120	0.000	16.172

*The reliance of the £4.185m base support reserve is equivalent to a £9.48p increase in council tax.

6.6 Time Limited - Change Reserves

In-line with 2017/18 it is planned that £1.200m of Change related expenditure will be incurred in 2018/19. It is planned that around half of this amount will be used to fund Athena implementation costs including supporting the establishment of Investigation Management Units. It is planned that the balance will be incurred on the Regional Change Programme, the Demand Strategy work, implementation of the Estate Strategy and preparing for the new Apprenticeship/ Probationer arrangements.

6.7 Other Specific Reserves

In additional to the areas above, there are a number of smaller specific reserves forecast to total £5.985m at the end of 2017/18. These specific reserves include the Operational Capability Reserve (£0.800m), Local Partnership Reserve (£0.200m), Commissioner's Reserve (£0.470m), PCC Community Initiative Fund (£0.350m), PCC Criminal Justice Innovation Fund (£0.150m), PCC Efficiency and Innovation Fund (£0.500m) the Road Safety Fund (£1.501m), Reactive Maintenance Fund (£0.778m), and the Chief Constables Forfeiture Fund (£0.354m). It is projected that £2.0m of these

reserves will be drawn on in 2018/19, including £1.1m relating to OPCC Commissioning (See Section 9) and £0.4m for the Operational Capability Reserve, to support operational priorities and increased recruitment including Specials recruitment, and £0.1m for the Local Partnership Reserve so as to provide matched funding to address Anti-Social Behaviour issues at CSP level. Further details of specific reserves are set-out in Appendix C.

6.8 General Reserves

General reserves are forecast to stand at £6.0m (3.3% of 2017/18 budget) by the end of the year reflecting a forecast overspend of circa £1.0m, the release of £0.9m of constabulary specific reserves and the proposed transfer of any balance above the minimum prudent level to the Base Budget Support specific reserve. This balance is set aside to provide resources in the event that there are increased in-year spending pressures e.g. savings are delayed or less than planned, or a further in-year grant reduction is applied. Under Section 25 of the Local Government Act 2003, the Commissioner's Chief Financial Officer (CFO) is required to review and report on the adequacy of reserves and the issues of risk and the robustness of budget estimates. The review is set out in Appendix C.

6.9 Projected Reserves 2018/19 to 2022/23

The impact of the reserve strategy set-out above and in Appendix C is that over the medium term reserves are forecast to reduce by £26.5m over the next 5 years to stand at £7.9m (3.7% of budget) by 31st March 2023. Table 8 below shows a year on year summary of the projected movement.

Table 8 – Projected Reserves 2018/19 to 2022/23

	31 st March 2019 £'m	31 st March 2020 £'m	31 st March 2021 £'m	31 st March 2022 £'m	31 st March 2023 £'m
Base Budget	12.0	6.8	1.1	0.0	0.0
Constabulary Specific	6.7	4.6	3.3	2.1	1.1
PCC Specific Reserves	0.6	0.4	0.2	0.0	0.0
Total Useable Reserves	19.3	11.8	4.6	2.1	1.1
Road Safety Fund	1.3	1.0	0.8	0.6	0.4
Ring-Fenced Constabulary Reserves	0.4	0.4	0.4	0.4	0.4
Minimum Level of General Reserve	6.0	6.0	6.0	6.0	6.0
Total Projected Reserves	27.0	19.2	11.8	9.1	7.9

7 CONSTABULARY INVESTMENT PRESSURES

- 7.1 As set out in Section 2 the Chief Constable has identified a number of areas where additional resourcing is required in response to local and national priorities and the increased level of demand facing the Constabulary. Since the summer the Constabulary, in liaison with the OPCC, has been undertaking detailed work to model demand on frontline policing teams and in the Control Room, as well as reviewing the approach to Workforce Development, and developed overall 2018/19 investment proposals costing £3.0m, as set out below.

Table 9 - Investment Proposals

	2018/19 £m
Investigation Management and Force Control Room	1.3
Local Policing (Scorpion and Intervention)	1.5
Workforce Development	0.2
Total	3.0

- (a) **Investigation Management and Force Control Room Comms Operators –** Part Year costs of £1.9m, with £1.3m funded from additional investment and £0.6m from the transfer from the Change Budget, providing funding for the equivalent of 53 fte post in 2018/19. (The enhanced level of resourcing in these teams amounts to 71 posts in a full year and if this level of resourcing is maintained throughout 2019/20 it would require a further £0.6m investment in that year.)

The majority of the posts support the operation of the new Athena investigation management processes. The system will provide far greater join up across all aspects of crime and investigation management, strengthen information sharing with other forces and importantly improve the engagement and service given to victims. In preparation for this significant change it is important that we realign some current ways of working, investing resources into developing a stronger investigations management team that will optimise the investigative benefits that Athena enables and improve support to victims throughout their journey with the Constabulary and onwards into the criminal justice system.

Significant additional resource have also been allocated to Comms Operators reflecting the marked increased level of demand faced in the Force Control Room this year and the increased resourcing requirement arising from a greater focus on risk and vulnerability. Additional resources have also been applied to Victim and Intelligence related functions.

A major recruitment and training programme was put in place in 2017 to support these changes and staffing levels are now significantly above the 2017/18 establishment. However, it has been assumed that it will not be

possible to recruit to full establishment at the start of the year. It is envisaged a Post-Implementation Review will be undertaken in late 2018 to review the operation of the new structure in time to inform 2019/20 budget construction.

(b) Scorpion / Intervention – £1.5m (35 Officer Posts)

The Constabulary has undertaken significant work to model current and projected demand on frontline policing in Intervention Units and the pro-active Scorpion Teams. The work has focused on measuring the level of demand arising from incidents and crime levels, the efficiency of our processes including attendance and the operation of our shift system and identified proposals for improving the match between demand and resourcing. This can partly be achieved through improvements regarding crewing, geographic response deployment and optimising the shift system. After taking account of this, the modelling sets out an additional resource requirement of between 25 – 75 Officers in Intervention and Pro-Active Scorpion Teams. Taking account of actual officer number and future recruitment and turnover it is proposed that £1.5m of additional resources is built into the 2018/19 to fund the costs of 35 additional posts. (10 of the posts will be funded through Protective Service savings – See Section 7). It is envisaged that the focus of the investment will be to create dedicated Scorpion teams which are able to provide a local neighbourhood policing tactical capability to task locally in support of CSP problems. This resource is viewed by CSP Chief Inspectors' and the Local Policing Command as essential capability to support CSP teams. It will be used to support proactive work to prevent and detect crime, focusing on reducing burglary, drug-related crime and anti-social behaviour, as well as providing proactive covert patrols of crime hot spots.

(c) Workforce Development - £0.2m

A review of Corporate Development functions has been undertaken. Arising from this it is proposed there is a greater focus on Workforce Development and Organisational Learning with additional resources to support the recruitment process, postings, succession planning and the professionalization / accreditation requirements.

8 CONSTABULARY SAVINGS

- 8.1 A review of all force and collaborative budgets has been undertaken. Arising from this some £1.2m of 2018/19 savings have been identified, as set-out below.

Table 10 –Saving Proposals

	2018/19 £'m
BCH and Regional Joint Protective Services	0.6
BCH Organisational and Operational Support	0.2
Hertfordshire Local Budgets	0.4
Total	1.2

(a) BCH and Regional Joint Protective Services – £0.6m

Within BCH a savings target of 2.5% has been set for 2018/19. In support of this Chief Officers have reviewed the breadth of BCH Protective Services including a focus on those areas operating with vacancies and agreed to rationalise these teams. Within the Regional budgets spending will be maintained at the current cash level with efficiencies savings achieved to absorb pay and cost pressures. Taking into account these two strands a net reduction of £0.600m has been built into the 2018/19 Protective Services budget. This reflects a reduction of ten Officer posts and two staff posts and is in-line with existing actual staffing and spend levels. As referred in Section 6 the saving of ten Officer posts is being re-invested in Local Policing resources. The ability to retain these posts will be reassessed next year in light of the overall financial position.

(b) BCH Organisational and Operational Support - £0.2m

Hertfordshire has achieved significant on-going savings through the BCH collaboration programme in Organisational and Operational Support areas. A further £0.2m of savings is built into the 2018/19 budget reflecting the Phase 2 savings in Criminal Justice, a reduction in Hertfordshire's share of the collaborative HR charge and the achievement of non-pay ICT savings.

As set out in Section 2 the HMIC VFM Profile shows that Hertfordshire's spend in these areas is below both the national and MSG average. Consistent with this, BCH chief Officers have approved an HR resourcing plan for 2018/19 based on the existing cost baseline, with a low level of additional investment in priority areas e.g. Wellbeing. This approach reflects the high level of demand facing HR and the need to resource the implementation of the new HR system, the increased recruitment targets, progressing the review of BCH terms and conditions and the implementation of the new Police Probationer training requirements. Similarly with regard to ICT BCH Chief Officers have approved a BCH ICT "Target Operating Model" constructed on the basis of the existing staffing cost baseline. The new staffing structure is designed to deliver

the BCH ICT strategy and address the wide range of demands arising from the National, Regional, BCH and Force priorities.

(c) Hertfordshire Local Budgets - £0.4m

A review of Hertfordshire budgets has been undertaken. This has covered all budgets except local policing staffing budgets. Arising from this a net reduction of £0.4m is included in the projected budget, reflecting the reduction in Change Programme, Finance and Corporate Service costs. In addition the review has highlighted spending pressures on a range of Operational and Organisational Support budgets and resources have been reallocated to priority areas including Safeguarding and Custody.

- 8.2 The result of the above investment and savings plans are net increases in police officer posts of 25 and police staff posts of 53. In addition during the year changes in Hertfordshire's share of regional policing activities including the transfer of fully grant funded Counter Terrorism capability into ERSOU, served to increase Hertfordshire police officer posts by 20. Resultant police officer posts for 2018/19 are forecast at 1,947 and police staff at 1,666. There remains a risk that these figures will change as work to develop final collaborative police officer / police staff shares for BCH unit continues and confirmation of CT grant levels is awaited.
- 8.3 Looking forward a saving target of £1.0m per annum has been built into the Medium-Term Financial Plan. This will be progressed through the Regional Collaboration Change Programme, which has strong emphasis on Regional Procurement, applying Demand Management modelling more widely across the Hertfordshire Policing teams and the annual review process of all local and collaborative budgets.

9 POLICE AND CRIME COMMISSIONER BUDGET

Office of the Police and Crime Commissioner

- 9.1 The Office of the Police and Crime Commissioner (OPCC) was reshaped in early 2017 to reflect the wider requirements, increased responsibilities and manifesto commitments of the Commissioner. The structure is now established. In 2018/19 there will be an increasing focus on customer service as the office prepares for the increased role of the PCC in police complaints to be introduced by the Policing and Crime Act 2017, governance of the fire and rescue service (if the Home Secretary confirms this at the end of 2017/18) and criminal justice innovation and reform. Despite the broadening scope of the OPCC's work, the 2018/19 budget remains the same cash figure as the previous year at £1.566m.
- 9.2 The Commissioner and Chief Constable have agreed to maintain cost-effective arrangements whereby Constabulary support is provided to the Commissioner's office (e.g. Finance).

Commissioning Budgets

- 9.3 In 2018/19 the Commissioner will hold approximately £4.322m of budgets to fund initiatives and enable him to meet his wider commissioning responsibilities. These are set out in Table 11 below.

Table 11 : Police and Crime Commissioner's Commissioning Budget

	Funding Source	2018/19 £'m
Community Safety Fund	Base Budget	1.000
Victim Support Services	MoJ Grant	1.367
Violence Against Women and Girls Fund	HO Grant	0.350
Road Safety Fund	Income/ Reserves	0.750
Commissioner's Community Initiative Fund	Reserves	0.150
Volunteering Fund	Reserves	0.055
Criminal Justice Innovation Fund	Reserves	0.150
Fly Tipping	Reserves	0.020
Efficiency and Innovation Fund	Reserves	0.500
Total		4.342

Community Safety Fund

- 9.4 The Community Safety Fund for 2018/19 of £1.000m (£0.837m in 2017/18) will continue to be devolved via a bidding process. Fund recipients will be required to explain spending intentions which must support and align with the Commissioner's Police and Crime Plan. Outcomes will be monitored and scrutinised through interim returns and updates through the Commissioner's Executive Board.

Victim Support Services

- 9.5 The Commissioner has held responsibility for the commissioning of Victims' Services since April 2015. £1.367m has been allocated by the Ministry of Justice (MoJ) to provide victim services for 2018/19 including the delivery of victim led Restorative Justice. Victim services are categorised into referral and universal services and enhanced services, each category with an indicated budget suggested by the MoJ. The indicative spends, with the exception of £0.096m relating to child sexual assault, are not ring-fenced, enabling the Commissioner to determine the most appropriate allocation to deliver services locally.

- 9.6 The MoJ Victims Services funding comes from the victims surcharge levied on offenders at Court. It should be noted that the MoJ retains responsibility for the commissioning of certain specialist services, such as homicide and trafficking crimes and the court based witness service.
- 9.7 Moving forward, the Commissioner, in consultation where appropriate with the Chief Constable, will review and develop how the existing partner funding streams and contributions to partners, align with core policing requirements, Police and Crime Plan priorities and the role of partners in promoting wider crime reduction strategies.

Violence Against Women and Girls Fund

- 9.8 Funding awarded from the Home Office totals £0.437m of which £0.350m is expected to be spent in 2018/19. The project will see the creation of a Sunflower Hub with website, champions network, caseworkers and an outreach worker to improve access to services for BME women. Services will be commissioned by HCC.

Road Safety Fund

- 9.9 In line with the Commissioner's Offender Pays agenda, a dedicated ring-fenced Road Safety Fund was established from 1 April 2015 using the balance of Hertfordshire's share of the income generated by the tri-force Camera, Tickets and Collisions (CTC) Unit, which is projected at £1.5m as at the 1st April 2018.
- 9.10 The PCC continues to work with the HCC Strategic Road Safety Partnership which retains oversight of the project with day to day administration undertaken by the Road Safety Programme Manager. Budget for 2018/19 will be set at £0.750m funded from in-year income and a £0.230m draw upon the reserve.

Commissioner's Community Initiative Fund

- 9.11 A Commissioner's Community Fund of £0.150m funded through the balance of proceeds of forfeiture income and administered by the Hertfordshire Community Foundation will be available to applicants for distribution to approved projects during the course of the financial year.

Volunteering Fund

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

Criminal Justice Innovation Fund

- 9.13 A Criminal Justice Innovation Fund of £0.150m will be established in 2018/19, supporting the PCC's aims as chair of the Hertfordshire Criminal Justice Board (HCJB). It will be open to applicants with ambitions to research and pilot new

programmes to support reform of the criminal justice system, in line with published criteria as agreed by HCJB.’ Funding has been established on a one year basis through the use of reserves, and the requirement for on-going funding will be reviewed at the time of setting next year’s budget.

Efficiency and Innovation Fund

- 9.14 This fund will total £0.500m and be available by application solely by the Constabulary to support innovative projects to drive efficiency and savings. The criteria will be drafted by the OPCC and agreed with the Chief Constable and senior team. Funding has been established on a one year basis through the use of reserves, and the requirement for on-going funding will be reviewed at the time of setting next year’s budget.

Fly Tipping

- 9.15 The OPCC is currently progressing the introduction of a new pilot fly tipping fund. In his Community Safety and Criminal Justice Plan for Hertfordshire 2017-2022, David Lloyd makes the commitment to “explore some of the income derived from seizures under the Proceeds of Crime Act (POCA) to clear waste left from fly tipping”. The Nuisance/Partnership Fund has provided significant funding over the last two years to local authorities to help tackle fly tipping on public land across the county. This has supported initiatives to increase evidence to support prosecution, awareness raising activity, enforcement/tools and new recording mechanisms. However, no funding to date has been spent on directly supporting private landowners who are also victims of this crime, and from whom the PCC frequently hears at barn meets of the blight that fly tipping can cause, including money spent clearing this waste. The pilot will involve participation from either one or two local authority areas, of whom will agree to undertake the clear up of fly tips that meet the specific criteria for the pilot. The pilot will last for the duration of a year, or until the £0.020m fund is fully spent, including a six month review. As well as providing an increased victims focus around fly tipping for those in Hertfordshire’s rural communities, the pilot will also make an important contribution to developing our understanding of the prevalence and impact of fly tipping on private land.

10 2018/19 – 2021/2022/23 MEDIUM TERM FINANCIAL PLAN (MTFP)

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

Table 12 - Changes to Medium-Term Budget Gap (Cumulative)

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Grant Funding	0.000	0.000	0.000	0.000	0.000
Council Tax Income	-6.126	-6.626	-7.376	-8.126	-8.876
Constabulary and OPCC Standstill Costs	3.908	6.401	8.662	10.951	12.617
Constabulary and PCC Time Limited Pressures	3.232	2.562	1.760	1.560	1.258
Constabulary and OPCC Investment Pressures	3.163	3.163	3.163	3.163	3.163
Net Base Reserves	0.255	-0.738	-1.249	3.320	4.440
Specific Reserves	-3.232	-2.562	-1.760	-1.560	-1.258
Planned Savings	-1.200	-2.200	-3.200	-4.200	-5.200
Budget Gap	0.000	0.000	0.000	5.108	6.144

10.2 Based on the above funding and saving projections the force budget can be balanced in the first three years of the medium term plan through the application of reserves to support the base budget and then has to address a gap of £5.1m (2.8% of overall budget) in 2021/22 rising to £6.1m (3.3% of overall budget) by 2022/23. The growth in budget gap in the last two years of the medium term plan results predominantly from the depletion of reserves to support the base budget.

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

- the need to fund increased investment pressures in the light of new policing demands.
- the impact of inflation on spending pressures
- the ability to deliver savings
- the government's approach to grant funding beyond 2019/20, including the risk that a Spending Review will be superseded by greater pressure on government and HO finances,

- the treatment of Council Tax freeze grant on which Hertfordshire has a sizeable reliance,
- the impact of a review of the funding formula,
- national change programmes e.g. ESN and Probationer training /Apprenticeship Levy.

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

- Rephasing of reserves – Over the next 2-3 year period the PCC does have some scope to re-phase the use of reserves so as to address a deferral of savings or incur greater invest to save costs, but it would need to initiate additional savings or precept increase in the later part of the Medium-Term period.
- The force has some scope to increase the level of planned savings and is putting in place work through the Demand Strategy to improve the efficiency of the current policing model.
- The PCC takes a view on the precept on an annual basis, and as such, no future precept increases are assumed. As set out in Section 4, the government has indicated that there may be further flexibility in 2019/20 up to an additional £12 for a Band D property (in-line with the current rules for a permitted increase in council tax) this could amount to £5.351m that could be used to address a very significant proportion of the budget gap.

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

11 CAPITAL PROGRAMME

Summary Capital Programme

- 11.1 Table 12 below shows a high level overview of the capital programme for 2018/19 to 2021/22, with further details set out in Appendix E. The table sets out a programme totalling £9.120m of expenditure in 2018/19, and a total of £55.212m up to 2021/22.

Table 13: Proposed Capital Programme 2018/19 – 2021/22

Planned Expenditure	2018/19 £'m	2019/20 £'m	2020/21 £'m	2021/22 £'m	Total £'m
Estate Programme	4.421	8.400	15.400	5.400	33.621
ICT Investment Programme	2.503	2.295	2.375	2.288	9.461
Emergency Services Network	0.155	0.218	3.045	1.088	4.506
Fleet	1.638	1.526	1.528	1.530	6.222
Technical And Specialist Equipment	0.403	0.333	0.333	0.333	1.402
Total Capital Programme	9.120	12.772	22.681	10.639	55.212
Funded By:					
Capital Grant	0.587	0.587	0.587	0.587	2.348
Use Of Capital Receipts	5.063	5.150	0.000	5.000	15.213
Capital Financing Requirement	3.470	7.035	22.094	5.052	37.651
Total Capital Funding	9.120	12.772	22.681	10.639	55.212


- 11.2 The 2018/19 Capital Programme has been constructed following a review of 2017/18 spend, including the impact of any potential delays to estate development or key IT systems. Where delays have been identified a review has been undertaken to assess whether residual budget is still required, or whether this will be displaced by 2018/19 spend. This approach is in line with previous years and has released £2.120m from the 2017/18 capital programme. The resultant 2018/19 figures reflect this process and provide a capital programme of £9.120m.
- 11.3 The 2018/19 -2021/22 Capital Programme reflects the Estates Strategy which was agreed in the June 2017, and includes a proposed investment to upgrade and redevelop the Headquarters site and investment in the local policing estate, where possible with local authority partners. These spend proposals will be further developed at which point they will be subject to a separate approval process. The programme also builds in estimated costs relating to ESN (Emergency Services Network), the new national mobile

communications service, although the timeline for incurring these costs has pushed back in light of delays to the national programme.


- 11.4 Based on the above figures it is projected that the four-year programme will be funded from general capital grant of £2.348m, capital receipts of £15.213m, and Capital Finance Requirement (CFR) of £37.652m.
- 11.5 The need to utilise CFR to fund the capital programme results from the planned depletion of capital receipts in 2019/20. This position is based upon the planning assumption that approximately half of the value relating to surplus properties will be retained for redevelopment, to generate a rental income stream with the remainder used to generate capital receipts. (Decisions on particular properties will be based on individual business cases.) The revenue budget implications of using CFR to fund the capital programme and projected estate generated income have been included within the revenue standstill (see Section 5.6).

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GROSS BUDGET 2017/18

	2017/18 Gross Budget £'m
Local Policing Command & Crime Reduction	
Local Policing Command	81.8
Protecting Vulnerable People - Safeguarding	11.7
Crime Reduction & Community Safety Unit	3.1
Total	96.6
Protective Services	
Regional and BCH Uniformed (Road Policing, Major Crime Unit)	10.5
BCH & Regional Non-Uniformed (CT&DE, Major Crime, PSD, ERSOU)	11.3
Protective Services	7.3
Total	29.1
Operational Support	
Contact Management	12.2
Criminal Justice Department	4.7
Custody	4.8
Other (Camera Tickets Collision, Firearms Licensing, HCJB)	6.1
Total	27.8
Business Support	
Estates and Facilities Department	8.5
HR (Including Training)	7.0
ICT	8.7
Corporate Services	3.6
Other (Finance, Collaboration, Procurement, Legal)	7.0
Total	34.8
Corporate Budgets	
Pensions	0.8
Capital Finance	1.3
Other	4.8
Total	6.9
Change / Operational Capability / Other Constabulary One Off Reserves	2.1
Officer of the Police and Crime Commissioner	
Office	1.6
Commissioning Budget	3.3
Total	4.9
Total Gross Budget	202.2

HMIC Financial Benchmarking

**FINAL 2017 HMIC VALUE FOR MONEY (VFM) PROFILE
SPECIFIC SERVICE AREAS**

Local Policing

Local policing (the biggest area of spend- £80m) Hertfordshire is spending 3.1% above the national average and 13.9% above the MSG level. Hertfordshire is spending a greater proportion of budget on local policing (41.9%) compared to the National and MSG averages (38.5%) in line with the PCC's commitment to maintain resourcing in local policing.

The biggest outlier and cause of Hertfordshire's high spend on Local Policing is Local Investigation- Prisoner Processing where spend is 9% higher than MSG and 27% higher than the national average(£1.6m - £4.1m higher). Total spend on Local Investigation is £19.2m.

Response and Neighbourhood Policing spend is 5% below national average and 13% above MSG average and in proportion terms, broadly in-line with overall spend. Hertfordshire's figure is made up of 62% Response and 38% Neighbourhood spend. This compares with 45% Neighbourhood spend in for the National and MSG figures. However, given the broad and differing remits of these teams across the service it is considered difficult to establish comparable figures in this area.

Other Service Areas

Spend levels on Criminal Justice including Custody, Armed Policing, ICT and Training is over 10% lower than national figures and highlighted as an outlier by HMIC.

Public Contact (including enquiry officers) – Spend is 10% below national average and 7% below MSG average. It is planned that additional resources will be invested in this area in the 2018/19 budget.

CJ/Custody (Includes FME, PNC, Police Property – Spend is 15% (£2.0m lower) below national average and 11% below MSG highlighting limited scope to achieve further savings.

Roads Policing - Hertfordshire's expenditure on Roads Policing is broadly in-line with National and MSG average.

Operational Support (Firearms, Dogs, PSU, Helicopter) spend is 16% (£1.4m) below national average and 3.-% below MSG, highlighting limited scope to achieve significant further savings.

Intelligence – Spend is 15% below the National Average and 11 % below the MSG average.

Public Protection – Spend 10% below national average and 8% below MSG average. This is after the 2016/17 and 2017/18 investment and indicates other forces have transferring at least similar levels of resources into this area.

Investigation (Including Major Crime, S& Org, Economic and Cyber Crime) overall spend is 4% below national average and 10% or £0.8m above MSG average. The above average spend relates to Major Crime, Specialist Units and Cyber Crime.

Support Services – 34th highest (13.9% below national average), 5th highest in MSG (1.2% above MSG). HR / Training spend is 20% and 13% below national and MSG averages. ICT is 20% and 8% below national and MSG averages. *Performance Review is 29% (£0.7m) above National average but this is distorted by the fact that BCH Programme Team and the £1.2m Change Programme costs have been classified here.*

PCC (Including commissioned services – community safety and victim support) Hertfordshire data included but no comparable data has been included.

RESERVES PLAN AND ROBUSTNESS OF THE BUDGET ESTIMATES

As set-out in section 6 there is a Ministerial requirement for a reserve plan. The main parts of the plan are set-out in section 6 and further detail provided here alongside the Section 25 review.

C1 General Reserves – Minimum Prudent Level

C1.1 Under Section 25 of the Local Government Act 2003, the PCC’s Chief Financial Officer (CFO) is required to review and report on the adequacy of reserves and the issues of risk and the robustness of budget estimates.

C1.2 The PCC’s Chief Financial Officer considers that a level of general reserves of £6.000m (3.3% of the 2017/18 budget) would be adequate for the 2018/19 financial year. In coming to this view on the adequacy of reserves, the financial risks faced by the PCC have been taken into account. The risk assessment considers the possible maximum financial impact and the probability of a risk occurring. The figure of £6.000m is the same as last year and reflects a range of risks of which the main risks provided for relate to budgetary control (£1.8m), major incidents (£1.3m), business continuity (£0.5m), the non-achievement of savings (£0.5m), implementation cost and double running costs associated with the Athena implementation (£0.5m), and the failure or loss of operational IT systems (£0.2m).

C2 Specific Reserves

C2.1 Each year a review of the number and adequacy of specific reserves is carried out and the PCC’s Chief Financial Officer confirms that these reserves, as projected, continue to be required and are adequate for the purposes specified below. Cover for operational risks remains in line with 2017/18.

Proposed Estimated Level of Specific Reserves	31st March 2017 £'m	31st March 2018 £'m
Base Budget Support	21.377	16.172
Change Reserves	7.413	6.213
Operational Capability Reserve	1.200	0.800
Local Partnership Reserve	0.300	0.200
Reactive Maintenance Fund	1.028	0.778
Forfeiture Fund	0.824	0.354
Ill-Health Early Retirement	0.340	0.340
Legal and Insurance Fund	0.150	0.150
Revaluation Reserve	0.735	0.000
Adults With Complex Needs	0.030	0.000
PCC Criminal Justice Innovation Fund	0.000	0.150
PCC Efficiency And Innovation Fund	0.000	0.500
Commissioner’s Reserve	0.575	0.820
Road Safety Fund	1.501	1.501

Police Property Act Fund (Resolved)	0.083	0.083
Unconditional Funding Reserve	0.959	0.309
Total Specific Reserves	36.515	28.370

C3 Review of Reserves

C3.1 The PCC's Chief Financial Officer notes that as at March 2017 Hertfordshire's reserves were in the top quartile of the country.

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

- The expected level of all reserves as at the 31st March 2018 is forecast to be £34.370m, including £6.000m of general reserves.
- The PCC should plan on the assumption of the need to retain £6.000m (3.3% of the 2017/18 net budget) as a minimum prudent balance in general reserves for the 2018/19 financial year.
- Reserve levels allow the commissioner to plan to make a draw of £16.172m on reserves to support the budget over the medium term.
- That the forecast £6.213m Change Reserves be ring fenced to meet the one-off costs reflecting the investment required to establish new collaborative structures and systems for providing Organisational and Operational Support, and implementation costs associated with Hertfordshire only change programmes over the next three years.
- That the level and range of other specific reserves set-out above are adequate to meet the requirements of both the Constabulary and the PCC.

C4 Risks and Robustness of Estimates

C4.1 Risk management is a key consideration for the PCC and the Chief Constable. There is an overall risk management strategy, and a Constabulary Risk Register is updated on an on-going basis, reviewed by Chief Officers and presented to Audit Committee twice a year for review. The Chief Constable's risk register is aligned with the PCC's risk register to facilitate an overall approach to risk management. The main offsetting risks that may impact upon the delivery of the 2018/19 budget are:

- The Constabulary has experienced exceptional demands in 2017/18 (see section 2) which have a financial impact through the need to pay overtime to Police Officers and have resulted in spend pressures during the year. Such exceptional demands are addressed through establishing a minimum prudent reserve.
- Following the relaxation of government controls there is a risk that the pay award for Police Officers or Police Staff may vary from the assumption in the

standstill budget with the potential to overspend due to the significant proportion of the budget relating to such costs.

- In addition, in recent years spending has been suppressed by vacancy levels resulting from relatively high turnover in both police officers and police staff. Police Officer numbers are expected to be above establishment by the start of 2018/19 but whilst recruitment plans for police officers, PCSOs and control room staff are being progressed, it is recognised that there is a compensating risk that spend levels in other areas will be lower due to on-going turnover.

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

RESERVE PLAN

Rational For Holding Reserves and Planned Use

Estimated Closing Balance 31/3/2018 £m		Planned Use 2018/19 £m	Planned Use 2019/20 £m	Planned Use 2020/21 £m	Planned Use 2021/22 £m	Planned Use 2018/19 to 2022/23 £m	Closing Balance 31st March 22 £m
	General Reserve						
6.000	The PCC is required to maintain a prudent level of reserves to provide resources in the event that there are increased in-year spending pressures. The level is reviewed annually by the PCC CFO as required under Section 25 of the Local Government Act 2003 on a risk basis considering a range of potential areas. The current level was agreed in February 2017 and is circa 3.3% of the budgeted expenditure for 2017/18.	-	-	-	-	-	6.000
	Base Budget						
16.172	Base Budget Support Earmarked reserve to support medium term budget strategy by enabling spend to be maintained above settlement funding and precept. Plans are to match use of the reserve to bridge the gap between funding and expenditure need that can't be met by savings. The gap between base funding and higher supported spend levels will require closing through savings as the reserve is exhausted.	-4.185	-5.178	-5.538	-1.281	-16.172	0.000

APPENDIX C

Estimated Closing Balance 31/3/2018 £m		Planned Use 2018/19 £m	Planned Use 2019/20 £m	Planned Use 2020/21 £m	Planned Use 2021/22 £m	Planned Use 2018/19 to 2022/23 £m	Closing Balance 31st March 22 £m
	Change Management						
6.213	<p>Change Management Reserve This reserve is earmarked to support the cost of change programmes and other costs associated with change. It is anticipated there will be a continuing demand on this reserve as grant funding continues to reduce over the medium term. We envisage there will continue to be significant levels of change over the medium term due to both financial and operational factors and it is projected that a total spend of £5.6m will be incurred over the medium term leaving a balance of £0.6m. Spend plans in 2018/19 include the use of circa £0.6m towards the implementation of the Athena System. A further £0.5m is expected to be required to fund both local and BCH Change Programme costs including redundancies and estates adaptation as a range of BCH Collaborations are progressed including HR, ICT, Custody, CJ Phase 2 and IMD. Circa £0.1m funding will be required to support the regional collaboration team.</p>	-1.200	-1.200	-1.200	-1.000	-5.600	0.613
	Specific Constabulary						
0.800	<p>Operational Capability Reserve This reserve was established by the PCC at £1.6m to be used over four years to support operational priorities. To date £0.800m has been applied to provide additional resources via overtime to support demand pressures within the Safeguarding Command and local policing and it is anticipated the entire balance will be applied over the medium term as overtime budgets continue to come under pressure.</p>	-0.400	-0.400	-	-	-0.800	0.000
0.200	<p>Local Partnership Reserve This reserve was established by the PCC at £400k to be used over four years is to provide matched funding to address anti-social behaviour issues at CSP level across Hertfordshire. To date this reserve has been predominantly used to provide funding to the HCC Waste Partnership to fund bids from district councils in relation to fly tipping and arrangements are being put in place to fully utilise this balance over the medium term.</p>	-0.100	-0.100	-	-	-0.200	0.000

APPENDIX C

Estimated Closing Balance 31/3/2018 £m		Planned Use 2018/19 £m	Planned Use 2019/20 £m	Planned Use 2020/21 £m	Planned Use 2021/22 £m	Planned Use 2018/19 to 2022/23 £m	Closing Balance 31st March 22 £m
0.340	<p>Ill Health Early Retirement Reserve Under the Police Pension Finance Regulations the Constabulary is required to make a payment of twice pensionable pay into the police pension scheme fund for any police officer retiring early on the grounds of Ill health. Such costs are variable in nature and this reserve is established to meet such costs should they not be contained within the base budget of £0.150m.</p>	-	-	-	-	0.000	-0.340
0.354	<p>Chief Constables Forfeiture Fund - Earmarked for Incentivised Income (POCA) budget This balance represents funding which it is anticipated will be required over the medium term to meet the shortfall between income generated from POCA by the RART and the Regional Economic Crime Unit and the £0.709m. Incentivised Income budget. When the Incentivised Income budget was established it was used to fund an expansion in Financial Investigator posts. These posts have now been transferred to ERSOU. As a result the income budget effectively now supports the general budget and any reduction in the income budget would require a compensating saving.</p>	-0.177	-0.177	-	-	-0.354	0.000
0.778	<p>Reactive Maintenance Fund This reserve was established to manage variations in reactive property maintenance expenditure and as a result reduce the need for additional base funding. It is planned that the fund will be drawn on over the medium term allowing time for the budget to be aligned with spend levels as the Estates Strategy is progressed.</p>	-0.250	-0.250	-0.125	-0.125	-0.778	0.000
0.150	<p>Legal / Insurance Fund This balance was established to meet annual variations in expenditure on self-insurance and legal claims where such costs cannot be contained within base budget.</p>	-	-	-	-	0.000	0.150
2.622	TOTAL SPECIFIC CONSTABULARY	-0.927	-0.927	-0.125	-0.125	-2.132	0.490

APPENDIX C

Estimated Closing Balance 31/3/2018 £m		Planned Use 2018/19 £m	Planned Use 2019/20 £m	Planned Use 2020/21 £m	Planned Use 2021/22 £m	Planned Use 2018/19 to 2022/23 £m	Closing Balance 31st March 22 £m
	Specific PCC						
0.150	PCC Criminal Justice Innovation Fund A Criminal Justice Innovation Fund of £0.150m will be available in 2018/19, supporting the PCC's aims as chair of the Hertfordshire Criminal Justice Board (HCJB). It will be open to applicants with ambitions to research and pilot new programmes to support reform of the criminal justice system, in line with published criteria as agreed by HCJB.' In the first instance, it is intended that this will be a one year commitment.	-0.150	-	-	-	-0.150	0.000
0.500	PCC Efficiency and Innovation Fund This fund will total £0.500m and be available by application solely by the constabulary to support innovative projects to drive efficiency and savings. The criteria will be drafted by the OPCC and agreed with the Chief Constable and senior team.	-0.500	-	-	-	-0.500	0.000
0.820	Commissioner's Reserve PCC This reserve is predominantly funded from forfeiture income having received an in year transfer of £0.470m of forfeiture monies during 2017/18. Spending plans for 2018/19 include £0.150m for the PCC's Community Initiative Fund an initiative that supports innovative local schemes that aim to make communities safer and £0.055m for the PCC's Volunteering Fund. In addition £.020m will be used to fund expenditure incurred in relation to Fly Tipping.	-0.225	-0.205	-0.205	-0.185	-0.820	0.000
1.470	TOTAL SPECIFIC PCC	-0.875	-0.205	-0.205	-0.185	-1.470	0.000

APPENDIX C

Estimated Closing Balance 31/3/2018 £m		Planned Use 2018/19 £m	Planned Use 2019/20 £m	Planned Use 2020/21 £m	Planned Use 2021/22 £m	Planned Use 2018/19 to 2022/23 £m	Closing Balance 31st March 22 £m
	Ring Fenced Reserves						
1.501	Road Safety Fund This fund holds the balance of income generated in excess of the running costs of the Camera Tickets and Collisions Unit and reflects the ring-fencing of this income for re-investment in Road Safety related activity.	-0.230	-0.230	-0.230	-0.230	-1.150	0.351
0.309	Unconditional Funding Reserve This reserve contains the carry forward balances of grant and partner funding received prior to the current financial year to be applied against future spend plans. The reserve was introduced in response to the adoption of International Financial Reporting Standards (previously this income would have been accounted for as Receipts in Advance) and therefore will always show a working balance. It is envisaged that on an on-going basis spending sources and commitments will offset each other and there will be a small working balance each year.	-	-	-	-	-	0.309
0.083	Property Act Fund Resolved This fund is for seized monies and the sale proceeds of seized and unclaimed property under the Police (Disposal of Property) Act 1997. Under arrangements put in place by the Police Authority each year one half of the available monies is donated to charity, latest payments have been predominantly to Herts in Trust, with the balance being held to meet ad hoc claims. A neutral annual position is shown here on the assumptions future receipts will match expenditure.	-	-	-	-	0.000	0.083
1.893	TOTAL RING FENCED RESERVES	-0.230	-0.230	-0.230	-0.230	-1.150	0.743
28.370	TOTAL SPECIFIC RESERVES	-7.417	-7.740	-7.449	-2.660	-26.524	1.846
34.370	TOTAL RESERVES	-7.417	-7.740	-7.449	-2.660	-26.524	7.846

2018/19 Council Tax for Police and Crime Commissioner Purposes

A	£40,000 or less	£109.33
B	£40,001 to £52,000	£127.56
C	£52,001 to £68,000	£145.78
D	£68,001 to £88,000	£164.00
E	£88,001 to £120,000	£200.44
F	£120,001 to £160,000	£236.89
G	£160,001 to £320,000	£273.33
H	£320,001 or greater	£328.00

Precept Amount Required From the District Councils

	£
Borough of Broxbourne	5,680,878.00
Dacorum Borough Council	9,305,950.40
East Hertfordshire District Council	9,774,859.20
Hertsmere Borough Council	6,674,086.60
North Hertfordshire District Council	8,055,434.00
St Albans District Council	10,108,320.40
Stevenage Borough Council	4,437,594.00
Three Rivers District Council	6,271,966.80
Watford Borough Council	5,312,599.60
Welwyn Hatfield District Council	6,783,564.80
Total Precept	72,405,253.80

CAPITAL PROGRAMME.

E1 Estate Programme - £4.421m

E1.1 The Estate Strategy agreed by SEB in June 2017 is designed to:

- make more efficient use of the police estate,
- generate long-term income,
- strengthen co-location of police and other public services where possible,
- improve the accessibility of operational police to the public.

The strategy includes a significant redevelopment of the existing Headquarters site, with a focus on efficient agile working, and the opportunity to share facilities with Fire and Rescue.

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

Table E1: Estate Programme

Planned Expenditure	2018/19 £'m	2019/20 £'m	2020/21 £'m	2021/22 £'m	Total £'m
Estates Programme	4.421	8.400	15.400	5.400	33.621

E1.3 **Headquarters Development (£1.550m)** – As set out in the Estates Strategy the running costs and associated maintenance of the Headquarters site is projected to increase significantly in the coming years, as a number of existing blocks have reached the end of their economic lives. In response to this work has progressed on developing a preferred option for the redevelopment of the a sizeable proportion of the site, which will enable the move to a more flexible, cost efficient facility with scope for increased partnership working. Consultancy, enabling, and planning costs are anticipated to be £1.550m in 2018/19, but this is dependent on the timing of planning permission and demolition works.

E1.4 **Local Estate Refurbishment, Security and Maintenance (£2.871m)** – The main area of spend relates to work on the refurbishment of Hemel Hempstead station, which is planned to begin later this year, following tendering of the main contract. On-site temporary accommodation will be provided while work is underway. In addition resources have been earmarked for Operation Fulcrum Security Upgrades across the local estate. Other capital expenditure allowed for in 2018/19 includes initial consultancy costs relating to planned developments at Watford, an allowance for other co-location opportunities arising during the year, Minor Works on the local estate and estate programme support costs.

E2 Information Communication Technology (ICT) Investment Programme (£2.503m)

E2.1 The ICT capital investment programme is developed in a way that recognises the need to support policing functions through the right investment in infrastructure, systems, and mobilisation. The 2018/19 programme is the first to be constructed on a BCH basis, with each force contributing to investment on a Net Revenue Expenditure (NRE) basis. An additional programme brings together Herts-only developments not included in the main BCH programme.

E2.2 The following key themes have been considered in setting the programme for 2018/19 and beyond:

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

Table E2: ICT Investment Programme

Planned Expenditure	2018/19 £'m	2019/20 £'m	2020/21 £'m	2021/22 £'m	Total £'m
BCH ICT Schemes	1.765	1.788	1.875	1.788	7.216
System Development	0.738	0.507	0.500	0.500	2.245
Total	2.503	2.295	2.375	2.288	9.461

BCH ICT Annual Schemes – Herts Share (£1.765m)

E2.3 **Desktop Software Enterprise Agreement (£0.546m)** – The annual Microsoft Enterprise Agreement allows BCH to fix the cost of accessing products, and to spread costs over a three-year period. The scheme gives access to latest product releases and updates, as well as technical support. 2018/19 is the final year of the current Home Office agreement, and it is likely that future costs will increase as BCH moves towards cloud based services. The move to cloud based services is subject to a on-going national negotiation process and the timing of such a change with the resulting cost increase is still unclear. At this point the budget has been uprated by £0.066m for the annual true up exercise, and it may be necessary to further uprate the budget in year.

E2.4 **PC Replacement Programme (£0.442m)** – This programme allows for the sustainable replacement of around eighty units per month across BCH.

Desktop items are now typically replaced by more flexible devices such as laptops and tablets, which generally have a higher cost and failure rate.

- E2.5 **Network Servers (£0.230m)** – Planned investment in 2018/19 will see replacement of the Herts legacy estate. Future costs could increase considerably as digital forensic storage and backup requirements begin to be developed.
- E2.6 **Small IS Systems (£0.150m)** – The scheme allows for minor system developments as they arise during the year. Planned costs in 2018/19 include Support Works service management software and Identity re-engineering.
- E2.7 **Body-Worn Video Replacement Programme (£0.133m)** – Across BCH around 600 units will be replaced in 2018/19, with a further 2,600 over the following three years.
- E2.8 **Other Developments (£0.122m)** – Other planned BCH work will be around platform development (£0.073m), printer replacement programme (£0.035m), and Internet protocol telephony systems (£0.014m).
- E2.9 **Infrastructure Convergence (£0.133m)** – This ongoing programme continues the provision of a single BCH ICT capability. Developments in 2018/19 will focus on data centre estate work.

Systems Development (£0.738m)

- E2.10 **HR, Duty Management, Finance System (£0.331m)** – The finance modules of the BCH ABLE system are now live across all three forces. HR and duties modules are currently planned to go live in late 2018/19, with further functionality and developments to be considered in the medium-term.
- E2.11 **Public Contact (£0.250m)** – New public contact investment around mobilisation will include vehicle kits and localised integration and implementation of TuServ (£0.150m). Potential digital innovation work may include developments in areas such as online payments, BCH intranet site, BCH telephony system, and self-service enquiry office portal (£0.100m).
- E2.12 **Athena (£0.107m)** – As set-out in the investment section main report Athena will go live in May 2018. Forecast capital expenditure for the coming year includes further development of local interfaces (£0.076m), back record conversion software (£0.010m), and core contract (£0.007m).
- E2.13 **Other Developments (£0.050m)** – Other work planned for 2018/19 will include health and safety compliance software (£0.050m)

E3 Emergency Services Mobile Communications Programme (£0.155m)

- 3.1 The transition to the new Emergency Services Network (ESN) has been deferred and is now planned to take place in 2020/21. However, work on completing the ICCS upgrade will proceed costing £0.155m in 2018/19.

Forces will transition onto the ESN in tranches and Herts will not realistically begin to move users until mid to late 2020, although there will be a need to begin purchasing devices before this date. Current cost estimates indicate that initial purchases of £0.218m will be required in 2019/20, with the bulk of the overall £4.505m programme following on in 2020/21.

E4 Fleet - £1.638m

E4.1 The rolling annual fleet replacement programme is developed each year in conjunction with Chiltern Transport Consortium (CTC), based on age, condition, and mileage of existing fleet vehicles. Although base vehicle prices under the current fleet contract are still very competitive, forces are seeing the highest cost increase for many years. Vauxhall cost have increased by nearly 5%, with Ford models increasing by between 11 – 20%. In addition, political uncertainty around EU membership, rising inflation, and national moves towards more expensive police vehicle models will add further pressure in coming years.

E4.2 The Hertfordshire fleet replacement programme for 2018/19 has been set at £1.638m.

Table E3: Fleet Replacement Programme

Planned Replacement	2018/19 £'m	2019/20 £'m	2020/21 £'m	2021/22 £'m	Total £'m
Replacement Cost	1.638	1.526	1.528	1.530	6.222

Table E4: Fleet Replacement Numbers

Planned Replacement	2018/19	2019/20	2020/21	2021/22	Total
Vehicle Numbers	92	92	80	83	347

E5 Technical and Specialist Equipment - £0.403m

E5.1 An annual programme is provided for the planned replacement of specialist equipment, and to meet emerging equipment needs. Investment is made to ensure the delivery of efficiencies through smarter working, and the exploiting of new advances in technology.

Table E5: Planned Technical and Specialist Equipment Programme

Planned Expenditure	2018/19 £'m	2019/20 £'m	2020/21 £'m	2021/22 £'m	Total £'m
Technical Support Unit	0.040	0.040	0.040	0.040	0.160
ANPR	0.130	0.060	0.060	0.060	0.310
Joint Protective Services	0.133	0.133	0.133	0.133	0.532
Specialist Equipment	0.100	0.100	0.100	0.100	0.400
Total	0.403	0.333	0.333	0.333	1.402

E5.2 Technical Support Unit (£0.040m) – Hertfordshire contributes to a regional programme, focusing on new and improved technology and the rolling replacement of basic stock. This annual programme includes investment in surveillance equipment, trap assets, audio equipment, and cameras.

E5.3 ANPR (£0.130m) – The force’s three-year ANPR investment programme comes to an end in 2018/19. This will conclude with the purchase and installation of cameras for the remaining eight sites, as well as the replacement of 28 existing cameras that have reached the end of their operation life.

E5.4 Joint Protective Services (£0.133m) – This programme provides for Hertfordshire’s contribution to the replacement of specialist forensic and scientific equipment within BCH JPS units.

E5.5 Specialist Equipment (£0.100m) – A budget is provided for additional equipment requirements and opportunities arising during the year. The use of this budget is strictly controlled, and benefits arising from this investment are assessed before funding is committed.

MINIMUM REVENUE PROVISION POLICY 2018/19

F1 Background

- F1.1 The Commissioner is required to approve an annual Minimum Revenue Provision (MRP) Statement. The aim of the MRP Statement is to determine the Commissioner's approach when making MRP in 2018/19 on his 2017/18 capital expenditure.
- F1.2 The regulations set out four alternative options for making a prudent provision and it is necessary that the Commissioner adopts one of these when making MRP. Each of the four options is set out below.

F2 DCLG Prudent Minimum Revenue Provision Options

- F2.1 Options 1 and 2 are essentially the same as the 4% reducing balance approach used up to 2007/08. The regulations prescribe that use of this approach to supported capital expenditure but it is not available to unsupported capital investment.
- F2.2 Options 3 and 4 are both broadly based upon making MRP in line with the expected life of the asset. Option 3 is known as the Asset Life Method and is the option recommended by the Police Commissioner's Treasury Managers. It makes MRP over the asset life in either equal instalments or using an annuity approach. Option 3 provides a steady and predictable funding requirement at the point the asset enters service and is the method that needs to be used for capitalised expenditure and expenditure which is capital in accordance with regulations (e.g. software licenses).
- F2.3 Option 4 makes MRP in accordance with depreciation rules. Since the Commissioner's depreciation policy is to use the straight line method of depreciation, initially MRP under these two options would be identical. However in the longer term Option 4 is potentially a less predictable approach than Option 3 as the level of MRP may be accelerated as a result of asset revaluations which in turn will lead to accelerated funding pressures on the revenue budget. In addition this option requires the establishment of a notional revenue provision and the consideration of residual values in the MRP calculation, but provides no additional benefits over Option 3. Both these options result in the Commissioner making MRP on new assets only after they enter service in line with our current budget assumptions.
- F2.4 For 2017/18 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 2018/19.