

Police and Crime Commissioner

for Hertfordshire

MEETING	POLICE AND CRIME PANEL
DATE	31 January 2019
TITLE	The Police and Crime Commissioner's 2019/20 Precept & Budget Proposal
SUBMITTED BY	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 2019/20. The Police and Crime Commissioner (PCC) is proposing to increase the Band D Council Tax by £24.00 to a figure of £188.00; which is a 1.45% increase on the county's average Band D council tax (2018/19) and a 14.6% increase in the policing element.
- 1.2 At the time of writing the provisional settlement information has been received from the Home Office for 2019/20 grant funding. The final information is expected 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 14 February alongside any further information that is required in concluding the Commissioner's proposed budget for 2019/20. 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 2019/20 budget and Medium Term Financial Strategy (MTFS). The budget proposals are consistent with the PCC's current Community Safety and Criminal Justice Plan.
- 1.4 In the provisional settlement the Policing Minister set out scope to increase Hertfordshire's gross funding by up to £15.148m. This largely arises from the

increased flexibility for PCCs regarding the level of precept increase allowable to them before the need to call a referendum, announcing that in 2019/20 PCCs will be able to increase the Band D average property precept by up to £24, and it is the Hertfordshire PCC's proposal to do so. This represents a 14.6% increase on the PCC precept and will generate additional income of £10.733m (a 5.6% increase on the net budget) and after taking into account the increase in tax base and the movement on the collection fund surplus, total council tax income will increase by £10.917m, as illustrated below.

Table 1 – Breakdown of Additional Council Tax Income

	£m
Precept increase	10.733
Tax base increase	0.940
Reduction in collection fund	(0.756)
Total Council Tax	10.917

- 1.5 Alongside this the provisional settlement included increases in general grant funding of £2.231m and specific grant funding of £2.024m that can be used to fund increased police pension costs arising from the change in discount rate.
- 1.6 The focus of this year's budget is growing operational capacity and increasing frontline officer posts and the precept increase will be used to fund the recruitment of a total of 75 additional officers (which includes a further 25 probationary officers in 2019/20). Police officer establishment will be set at 2,009. This will be the first time the police officer establishment has been over 2,000 since 2010. In addition there will be wider investment in call handling, custody, cyber, and criminal justice capacity with total investment of £5.832m.
- 1.7 The force also faces significant spending pressures arising from nationally set pay awards, pension valuations and contractual non-pay commitments, with £6.393m funded by general grant and precept and a further £2.024m funded by the specific grant.
- 1.8 Recent budgets have relied heavily on drawdown of one-off reserves to protect officer numbers and fund investments and as a result these reserves have been greatly depleted. This budget allows those investments to continue to be supported whilst also commencing a phased reduction in the level of base expenditure funded from reserves, with this reducing by £1.724m to £3.062m. This approach supports the on-going funding of key elements of operational investment built into the budget from 2016/17 onwards and funded from the draw down in reserves (e.g. in the 2016/17 an additional 38 officer posts costing circa £1.700m and funded from the Base Reserve were established covering Cybercrime, Domestic Abuse, Safeguarding and Public Contact). 2019/20 will also see a reduction in the use of time-limited reserve

funding which will decrease by £1.037m to £1.595m (see section 6.7 and 6.8 below).

- 1.9 The budget includes proposed savings of £0.800m. These savings build on Hertfordshire's good track record of financial management, with on-going gross savings totalling £37.300m since 2012/13. Some £15.000m of this relates to Bedfordshire, Cambridgeshire and Hertfordshire (BCH) collaborative savings with £8.900m achieved in Joint Protective Services (led by Bedfordshire - includes Armed Policing, Dog Units, Major Crime Unit, and Roads Policing) and £6.100m in Organisational (led by Cambridgeshire) and Operational Support areas (led by Hertfordshire). HMIC have recently graded Hertfordshire as Good in terms of efficiency.
- 1.10 Over the medium term the PCC will put in place an Efficiency Strategy requiring the Constabulary to identify efficiencies of 2% per annum. This MTFs includes savings of £12.029m from 2020/21 to 2022/23. The MTFs will be updated on an annual basis taking into account the upcoming Spending Review and funding formula review, and the government's approach to public sector pay and local investment requirements.
- 1.11 Table 2 below sets out the funding of the 2019/20 net budget including the resultant Council Tax requirement.

Table 2: 2019/20 Budget and Council Tax Requirement

	£m
Net Budget 2018/19	190.242
Standstill Pressures	6.393
Investment	5.832
Savings	(0.800)
Prior Year Use of Base Reserves	4.786
2019/20 Use of Base Reserves	(3.062)
Net Budget 2019/20	203.391
Less Home Office Settlement Grants	(118.716)
Less Collection Fund Surplus	(0.596)
Council Tax Precept Requirement 2019/20	84.079

1.12 The report sets out the following information:

Section 2: Performance Context & Financial Baseline

Section 3: 2019/20 Funding Settlement

Section 4: Precept Proposal

Section 5: Standstill Budget and Time Limited Pressures

Section 6: Reserves Position

Section 7: 2019/20 Constabulary Investment Pressures

Section 8: 2019/20 and Medium Term Savings

Section 9: Police and Crime Commissioner Budget

Section 10: Medium Term Financial Plan 2019/20 to 2023/24

Section 11: Capital Programme

2. Performance Context & Financial Baseline

2.1 The PCC's key priorities as set out in the 2017-2022 Community Safety and Criminal Justice Plan ("the Plan") are:

- Building on Success;
- Putting victims at the centre;
- Public focus;
- Offender pays; and
- Business sense.

2.1.1 The Plan is currently being refreshed with an expected publication date of May 2019. It sets out the changing nature of crime, harm and risk, and the increased demands on services and systems.

2.1.2 In order to respond to these priorities, challenges and demands, this budget seeks to build on the increase in officer numbers achieved over this financial year to bolster capacity in frontline roles (including the Scorpion Team) and set up an early intervention team in schools with young people to address serious violence and cybercrime.

2.2 Operational and Organisational Pressures

2.2.1 The strategic direction detailed in the Plan informs how operational and organisational pressures facing the constabulary and its associated resources, as detailed in the 2018 Force Management Statement (FMS), are responded to. The FMS highlighted the following challenges:

Operational

- Knife crime and county line drug dealing
- The increasing complexity of investigations and disclosure requirements
- Continued increases in demand for Safeguarding, particularly Domestic Abuse and Child Sexual Exploitation
- Police deployments to mental health crisis in communities
- The prevention of economic crime
- Expanding the capacity and capability to address cybercrime
- Resilience with the Force Control Room

Organisational

- Capacity and capability within the HR and L&D function to sustain the workforce plan and simultaneously manage the national workforce transformation programmes;
- Effectively addressing the detective skills and recruitment gap;
- On time delivery of the ICT programme, including Enable ERP and refreshed mobile working solutions;
- Identification and delivery of further efficiency and productivity benefits from Project Odyssey;
- Realisation of tangible benefits from the 7 Force Collaboration programme;
- Fully embedding problem solving and learning into the organisational culture and key partnerships; and
- Achieving a sustainable medium term financial plan

2.2.2 The complexity of a whole range of investigations continues to increase, with many requiring officers and staff to have skills to investigate digital devices and cybercrime. Increased disclosure requirements within investigations has placed additional demands upon investigators and the need to safeguard vulnerable people.

2.2.3 National cybercrime and fraud profiles show that in-line with other areas of the country, victims of these crime types in Hertfordshire continue to rise. It is vital that the right capacity is in place to be able to investigate and support victims. Whilst the current capacity of detective teams remains excellent, it is being stretched and requires additional investment to be able to meet growing demand. The accelerated detective recruitment scheme and a review of how detective resources are organised to provide the most effective investigative service are already addressing this. There is also a need to expand the Beacon Victim Care Team to provide a comprehensive service to victims of fraud and cybercrime to help them get the support they require to help them cope and recover with their ordeal.

2.2.4 There has been sustained investment in preserving and strengthening the Neighbourhood Policing model. Unlike many forces that have made significant cut backs to the frontline, Hertfordshire has maintained its local policing model based around the 10 districts and boroughs with safer neighbourhood teams in each area developing a proactive understanding of community needs and cutting crime. For the second year running, HMICFRS praised Hertfordshire as an efficient and effective force, acknowledging its greater level of spend on frontline operational policing in its value for money profiles relative to other forces of its size (see 2.5 below).

2.2.5 A number of requirements emerge from these challenges:

- Further investment in police officers, prioritised for deployment within locally based proactive (scorpion) teams, to increase the capacity and flexibility to tackle serious violence, county lines, travelling criminality and rural crime. This in turn will minimise abstractions from both intervention and neighbourhood teams.
- Further investment in investigative capacity and capability to enhance response to cyber and economic crime affecting individuals and businesses. Investment is also required to ensure officers are supported to undertake digital investigations and to develop the skills necessary to undertake this work.
- Additional resourcing and resilience within the custody environment to reduce the officer abstractions and to reduce processing delays. This will lead to greater visibility and utilisation of existing officers.
- Investment into schools and crime prevention work in support of the serious violence strategy and cybercrime agenda.
- Investment to support frontline staff with the reporting and initial investigation of crime by the Investigation Management Unit and Victim Support Team thereby improving the service to victims and increasing the visibility and productivity of frontline staff.
- To develop a Customer Champion function to improve the customer journey through the Constabulary.
- Improving file quality and consequently the outcomes for victims engaged with the criminal justice system.

2.2.6 It is recognised that the demands presently placed on the collaborative Human Resource teams, in delivering against impending national changes to the workforce model, supporting additional recruitment and training activities, require the resources within the collaborated HR teams to be maintained to enable this level of activity to continue to deliver effectively for all three forces.

2.3 Performance and Demand Management

Performance

- 2.3.1 Across many measures, Hertfordshire continues to perform well compared to its peer group and forces nationally. This includes the overall crime rate of 72 crimes per 1000 residents, placing Hertfordshire 3rd in its Most Similar Group¹ of forces (MSG); and the overall criminal justice outcome rate, with Hertfordshire 1st in its MSG. Whilst the overall crime rate has risen by 1.7% this year, this increase is less than both national and MSG averages. The marginal increase reflects, at least in part, the continued work to ensure the integrity of the Constabulary's crime data, with internal audit demonstrating sustained improvements in the accuracy of crime recording.
- 2.3.2 Some key crime types have fallen quite significantly, at least in part demonstrating the impact that local Scorpion teams can have in tackling serious acquisitive crime and the impact of problem solving, in particular by Safer Neighbourhood Teams in conjunction with local partner agencies and communities:
- Burglary Residential Dwelling has fallen by 8.1%;
 - Robbery has fallen by 4.3%;
 - Criminal damage has fallen by 9.0%; and
 - Anti-Social Behaviour has fallen by a very significant 24.7%.
 - Conversely, though, motor vehicle crime has increased by 12.3%.
- 2.3.3 Hertfordshire has followed the national trend in experiencing an increase in violence against the person (9.1%). This includes Domestic Abuse crime, which has increased by 5.2%. The threat from knife crime is a particular concern. Levels nationally and within Hertfordshire have been steadily increasing; nationally by +16% last year (2017/18) compared to the previous year. For knife crimes (including sharp instruments), in 2017/18, Hertfordshire was ranked 4th within its MSG (0.43 offences per 1000 residents) and 21st nationally. Hertfordshire appears to be in line with national figures; for example, in the 12 months to December 2017, the national average increased by 20%, whereas Hertfordshire increased by 21%.
- 2.3.4 The overall criminal justice outcome rate of 11.7% places the Constabulary in 1st place in its MSG but is lower than last year. The rate for some crime types are an emerging cause for concern, notably rape and serious sexual offences. The Constabulary has reviewed all investigations and is ensuring that peer support is available to check and test its approach. Work is underway with the Crown Prosecution Service to ensure that all submitted crime files are complete, meet the required standard and are reviewed by the CPS in a timely

¹ MSG = Staffordshire, Essex, Avon & Somerset, Sussex, Leicestershire, Hampshire and Thames Valley

manner, with appropriate thresholds set by the CPS for consideration of prosecution.

- 2.3.5 File quality, as assessed by NPCC / the CPS, continues to be an area the Constabulary is focused on under Operation Qualis. The Constabulary's national ranking has been in flux throughout 2018 but stands at 20th overall (November 2018, out of 44 forces). Operation Qualis continues to drive activity to tackle common errors and improve performance.
- 2.3.6 There has been an 11% increase in 999 emergency calls but a 5% decrease in 101s, likely reflecting some 'channel shift' to newer, digital methods of contact such as online crime reporting and the web-chat facility. With an intensive change programme in the Force Control Room (FCR), call handling metrics have improved over the year, with an average of 79% of 999 calls answered within 10 seconds (but with a range between 81% and 93% since October) and 48% of 101 calls answered within 30 seconds. Further work continues to ensure that resources in the FCR best match the demand profile.
- 2.3.7 'In house' Victim Satisfaction Surveys have showed relatively high levels of 'whole experience' satisfaction for victims of crime (82.3%). NB: since 1 April 2017, there has no longer been a Home Office requirement for Victim Satisfaction Surveys as a result MSG positions are no longer able to be provided. Most recent Crime Survey of England and Wales (CSEW) data (12 months to 30 June 2018) shows that 84% of those surveyed in Hertfordshire had confidence in their local police (1st MSG) and 66.6% believed they were doing a good or excellent job (also 1st MSG).

Demand Management

- 2.3.8 Work to understand the breadth and depth of demands faced by the Constabulary has continued with vigour under the banner of Project Odyssey. Recent reviews include:
- **Intervention Teams** - A review of demand on Intervention Teams was conducted to reaffirm shift requirements and better resource the identified demand profile. This led to changes to the shift pattern, most notably to provide additional resource at periods of peak demand during evening periods.
 - **Safer Neighbourhood Teams** – Demand has been identified using two methods: a 'HARM' tool that assesses the harm caused to communities and individuals across a range of metrics; and a Priority Based Budgeting tool. These tools also provide a predictive capability for understanding the impacts of future requirements. The modelling is due to be reviewed by Chief Officers in the near future.

- **Force Control Room** – A full review of demands on the Force Control Room (FCR) has been completed by the Local Change Team, alongside external consultants, resulting in process changes, a new shift pattern design to address call handling requirements and identification of demand reduction initiatives, including the re-introduction of an Incident Response Team to resolve calls to service at the first point of contact.
- **Safeguarding Command** – All teams within the Safeguarding Command (excluding safeguarding adults from abuse for operational reasons) have been subject of a review of demand under a Post Implementation Review (PIR).

2.3.9 Further work is ongoing to understand the demands placed upon investigative functions across the organisation including: Local Crime Units, Case Investigation Teams and specialist investigation teams such as the Serious and Organised Teams. Once complete, a full understanding of all demand into the Force will be available and subject to annual review, if required, to monitor and alter methods to manage the current and future trends, with an established, solid evidence base to increase effectiveness and identify efficiencies.

2.3.10 Partnership working remains critical to the delivery of services within Hertfordshire and understanding the impacts of joint / interdependent demand is developing further, with work commencing on the joint demand experienced by the Constabulary and Ambulance Service.

2.4 HMIC VFM DASHBOARD 2018

2.4.1 HMIC have recently published their annual Value for Money Dashboard² that compares force position against Most Similar Group (MSG) and nationally (41 forces), using 2018/19 budget data and March 2018 workforce, demand and crime data. The key points to note are that Hertfordshire has:

- The 27th highest level of recorded crime per '000 of population and 25th after being adjusted for per frontline officer/members of staff.
- Overall spend is 28th highest, 7.0% below the average, MSG 4th highest and 2.7% above the average.
- Local policing (the biggest area of spend - £80.000m) Hertfordshire is spending 4.5% above the national average and 17.3% above the MSG

² This is the first year that the Dashboard format has been used (replacing the VFM Profile) and this has presented reconciliation issues. Therefore some of the conclusions drawn out need to be caveated.

level. Hertfordshire is spending a greater proportion of budget on local policing (42.1%) compared to the National average (36.7%) in line with the PCC's commitment to maintain resourcing in local policing.

- Spend on all other areas (grouped together) is 13.7% below the national average and 4.7% below the MSG average. Hertfordshire is spending below or at national and MSG average for Public Contact, Custody, Criminal Justice, Joint Protective Services and Support Services (including ICT and HR).
- Hertfordshire's proportion of spend on frontline policing (72.1%) is higher than the national and MSG averages. Out of 41 forces Hertfordshire has the 7th highest percentage of frontline spend, and the 2nd highest out of 8 forces in MSG.

Further details of spend in specific service areas is shown in Appendix B.

2.5 Financial Baseline

2.5.1 The 2018/19 budget represents a financial baseline of £190.200m for net expenditure (£208.500m gross) which is funded from government grant and precept. Net expenditure in 2019/20 will increase to £203.400m.

2.5.2 Table 3 below sets out a high level summary of the budget and shows that gross expenditure will increase by circa £12.600m (6.0%) to £221.100m in 2019/20. 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. The information on the allocation of smaller specific grants is awaited and the 2019/20 gross expenditure figure may have to be amended to reflect the final allocation. Appendix A sets out the 2018/19 gross budget for cost centres included within each grouping.

Table 3: 2018/19 and 2019/20 Budget Summary

	2018/19 Gross Budget £m	2019/20 Gross Budget £m
Local Policing	105.4	113.9
Operational Support	22.9	24.5
Collaborated Protective Services	27.5	28.6
Organisational Support	36.8	38.1
Corporate Budgets	7.8	9.8
Change & Operational Capability / Other One Off	2.1	0.8
Total Constabulary	202.5	215.7
Office Of The Police And Crime Commissioner	1.6	1.6
Commissioning Budgets	4.4	3.8
Total Office of the PCC	6.0	5.4
Total Revenue Budget	208.5	221.1

2.5.3 Net base spending in 2018/19 is forecast to be circa £1.500m overspent, arising from increased non-pay costs relating to the national enabling programme and the motor insurance tender contract award. In addition the force is incurring spending pressures within HR, largely relating to the increased recruitment programme. The proposed budget builds in standstill and growth provisions to address all three areas.

3. 2019/20 FUNDING SETTLEMENT

3.1 The 2019/20 provisional funding settlement generates a cash grant for Hertfordshire of £118.716m, and as set-out in the table below represents a cash increase on the 2018/19 settlement of £2.231m (1.9%).

Table 4: Summary of Grant Changes

	2018/19 £m	2019/20 £m	Change £m
Police Formula Funding Grant	106.257	108.488	2.231 (2.1%)
Council Tax Legacy Grants	10.228	10.228	0.000 (0.0%)
Net Grant Funding Change	116.485	118.716	2.231 (1.9%)

3.2 In addition referendum rules have again been relaxed to allow all PCCs to increase band D Council Tax by up to £24 (which is considered in Section 4). The settlement sets-out an expectation of continued delivery of efficiencies, productivity and effectiveness by police forces, setting out four priority areas:

- 1) Continued efficiency savings in 2019/20 through collective procurement and shared services;
- 2) An expectation to see major progress to resolve the challenges in investigative resource identified by HMICFRS;
- 3) Improved productivity through smarter use of data and digital capabilities; and
- 4) Maintaining a Serious Organised Crime response.

3.3 The main elements of the funding settlement are set out below:

3.3.1 Table 5 below shows the Provisional Settlement for the Police Service that was announced on the 13 December which set out a 2.1% cash increase in core grant position for 2019/20 to all forces Police Grant (including legacy council tax grants). The Home Office set an overall direct resource funding control total for policing including assumed precept income (termed direct resource funding) of £12.136bn in 2019/20, a £0.824bn (7.3%) cash increase on 2018/19.

Table 5: National Provisional Police Settlement Summary of Grant Changes

	2018/19 £m	2019/20 £m	Change £m	Change %
Core Grant Funding	6,962	7,108	146	2.1
Legacy Council Tax Grants	545	548	3	0.6
National & International City Grants	178	190	12	6.7
Precept	3,627	4,147	520	14.3
Pension Grant	-	143	143	-
Total Direct Resource Funding	11,312	12,136	824	7.3
Reallocations & Adjustments	945	1,029	84	8.9
Revised Total Direct Resource Funding	12,257	13,165	908	7.4

- 3.3.2 The provisional settlement also contains £1.029bn (8.9% increase on 2018/19) of Reallocations and Adjustments to fund national priorities. £0.495bn of this relates to Police Technology Programmes to support the Emergency Services Network (ESN) and other initiatives. The Transformation Fund has again been held at £0.175bn. Within the national priorities is increased funding of £0.090bn for taking forward the Serious and Organised Crime Strategy. Further detail on how this will be allocated is awaited.
- 3.3.3 The provisional settlement also included the payment of a Specific Pensions grant totalling £0.143bn of which Hertfordshire's share is £2.024m. The grant will be paid as a contribution towards the increased police pension employer contribution rates set out in the Section 5 on Standstill pressures. It is assumed the grant will be maintained over the Medium-Term period. However, the grant is being funded from the Treasury reserve and at this stage there is not confirmation that it will be included within the baseline in the Spending Review, and as such there is a risk of it being removed for 2020/21.
- 3.3.4 As set out above the Provisional Settlement confirmed that the £10.200m of ring fenced council tax legacy grant that Hertfordshire currently receives will be retained in 2019/20. Whilst this funding remains ring-fenced there is a risk or its removal in future settlements – potentially through formula review or policy change.
- 3.4 The final settlement will be announced in early February and so the grant figures set out above in Tables 4 and 5 may change. In recent years these changes have been minimal. Hertfordshire Capital Grant funding in 2019/20 has seen a £0.013m increase to £0.600m.
- 3.5 With regard to the Force medium-term projection it is assumed there will be an on-going cash freeze in grant. The outcome of the Spending Review is expected in summer 2019 and this will determine the Police share of Public Spending from 2020/21 onwards; while recognising the competing pressures from other public services. Alongside this is the government's approach to

public sector pay over the Medium-Term. It is expected that the review of the funding formula will also be included within next year's funding settlement.

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 £24.00 (14.6%) to £188.00, generating an increase in funding of £10.733m. The resulting council tax bands and indicative district precepts are set out in Appendix D.
- 4.2 The HMIC Value for Money Profile sets out Hertfordshire's Band D Council Tax as the fourth lowest in England and Wales, behind Northumbria, West Midlands and West Yorkshire, some 16.7% below National Average and the lowest Band D in its MSG at 9.2% below the group average.
- 4.3 As set out above as part of the provisional funding settlement the Policing Minister announced that in 2019/20 PCCs will be able to increase council tax precept levels by £24, twice the permitted increase in 2018/19, before the need for referendum. The Minister noted the level of demand on the police including the major increase in the reporting of high harm, previously hidden crimes such as child sexual exploitation and modern slavery as well as the growing challenge from serious and organised crime networks. Regarding the greater flexibility the Minister stated that 'it will be for locally accountable PCCs to take decisions on local precept and explain to their electorate how this additional investment will help deliver a better police service'.

- 4.4 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, which are shown in the tables below.

Table 6: Change in Band D equivalents by District

District	2018/19 Band D Taxbase	Provisional 2019/20 Band D Taxbase	Change in Property Numbers	% Change
Broxbourne	34,640	35,026	386	1.1%
Dacorum	56,744	57,447	703	1.2%
East Herts	59,603	60,722	1,119	1.9%
Hertsmere	40,696	41,274	578	1.4%
North Herts	49,119	49,498	379	0.8%
St Albans	61,636	62,107	471	0.8%
Stevenage	27,059	27,330	271	1.0%
Three Rivers	38,244	39,092	848	2.2%
Watford	32,394	32,841	447	1.4%
Welwyn Hatfield	41,363	41,890	527	1.3%
Total	441,498	447,227	5,729	1.3%
		18/19 Precept	164.00	
		Increase £m	0.940	

- 4.5 These figures show an annual growth in tax base of 1.3% equivalent to £0.940m. In contrast the collection fund surplus which is one-off income is forecast to decrease significantly from its previous all-time high by £0.756m to stand at £0.596m, as shown below.

Table 7: Movement in Collection Fund by District

District	2018/19 Collection Fund Surplus/ (Deficit) £	Provisional 2019/20 Collection Fund Surplus/ (Deficit) £	Cash Change Due to Collection Fund £
Broxbourne	96,113	165,057	68,944
Dacorum	(14,163)	62,111	76,274
East Herts	195,083	55,291	(139,792)
Hertsmere	329,533	(49,023)	(378,556)
North Herts	35,114	22,515	(12,599)
St Albans	173,438	92,800	(80,638)
Stevenage	106,897	44,615	(62,282)
Three Rivers	145,900	43,075	(102,825)
Watford	108,256	156,214	47,958
Welwyn Hatfield	175,448	3,462	(171,986)
Total	1,351,619	596,117	(755,502)

- 4.6 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 £10.917m to £84.079m in 2019/20, which equates to 38.0% of the overall funding.
- 4.7 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's Strategic Executive Board (SEB).

5. STANDSTILL BUDGET AND TIME LIMITED PRESSURES

- 5.1 The standstill budget delivers the same level of service as in the current financial year and Table 9 below sets out the forecast standstill budget over the medium term. Latest estimates are that the standstill budget will increase by £6.393m in 2019/20 (see Table 8 below) and comprises of the following:

Table 8: 2019/20 Cost Pressure Summary

	£m
Pay award	3.287
Reduction in average police pay	(0.900)
Pension cost increase	2.640
Contract inflation	0.572
Motor insurance increase	0.657
Capital financing cost increase	0.137
Total £m	6.393

- 5.2 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 £1.595m in 2019/20.

Table 9: 2019/20 to 2022/23 Increased Standstill and Time Limited Pressures

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total
Unavoidable Pressures:					
Staff and Officer Costs	5.027	4.080	4.151	4.226	17.484
Non-Pay	1.229	0.565	0.576	0.587	2.957
Sub-Total: Unavoidable Pressures	6.256	4.645	4.727	4.813	20.441
Interest on Balances and Minimum Revenue Provision/Capital Financing	0.137	0.617	1.392	2.234	4.380
Total Standstill Pressures	6.393	5.262	6.119	7.047	24.821

- 5.3 **Pay Awards cost increase £3.287m in 2019/20** – The Home Secretary announced a 2.0% pay award from September 2018 for officers, which was in-line with the assumption built into the 2018/19 budget. The Police Federation are challenging this through a Judicial Review and in the event that it is successful it could lead to the additional 1.0% non-consolidated bonus which was awarded in 2017 being consolidated into base pay. With regard to Police Staff the Employer side has made a final offer of 2.0% for the September 2018 pay award, in-line with the budget assumption. With regard to budgeting for 2019/20 the full year impact of 2.0% awards from September have been included and a further 2.0% award from September 2019. Other pressures

have been reflected in the General Reserve calculation. From 2020/21 onwards a 2.0% pay award assumption has been reflected in the standstill budget.

- 5.4 **Average Police Pay cost reduction of £0.900m in 2019/20** – The Police Pay budget is influenced by composition of the police officer workforce and specifically the level of recruitment of probationer officers, the level of increments for the officer workforce as a whole and the level of retirements. Since 2017/18 the force has been recruiting heavily and it is assumed will continue to do so in 2019/20 partly in anticipation of the transition to the new PEQF probationer model in 2020 (see below). The impact of this high level of recruitment alongside officer retirement and turnover of approximately 6.0% per annum is the need to reset average police pay levels to reflect the impact of having a less experienced workforce with more officers on the bottom quartile of the pay scale, although with scope to grow over the Medium-Term. This serves to reduce the cost of operating at the current budgeted establishment of 1,959 by £0.900m and is reflected in the standstill budget. The costs relating to maintaining the high level of recruitment in 2019/20, such that officer numbers go above the establishment number, are included in the Investments shown in Section 7. Looking forward, in future years it will be necessary to fund growth in the average police pay rate as the high level of constables and sergeants, currently on a low spinal point, progress through their pay scales. At this stage an annual pressure of £0.500m p.a. has been included from 2020/21 onwards.
- 5.5 **Net Pension Costs increase in 2019/20 £2.640m** – The 2016 Police Pension valuation has resulted in a (6.8%) increase in Employer Rate starting in 2019/20. This largely arises from a change in the Treasury's assumption regarding the Discount Rate, which is used to convert future pension payments into present day value. For Hertfordshire this amounts to £4.640m. Additional funding has been made available from the Treasury Reserve to provide a specific grant to further mitigate the impact in 2019/20 and it has been assumed that this grant of £2.024m will apply across the whole of the Medium-Term period (see para.3.3.3).
- 5.6 **Non-Pay increase in 2019/20 £1.229m** – This covers the following factors: The Bank of England is forecasting inflation in 2018 at 2.5% CPI and 3.4% RPI, and between 2019 – 2021 an average of 2.0% CPI and 3.2% RPI. An overall uprating of 2.0% has been built into 2019/20 non-pay budgets, with a minimum of 1.0% allocated to department budgets and higher funding allocated to specific areas e.g. business rates and contracts linked to CPI/RPI. This resource would also need to cover a range of specific spending pressures including increased Forensic costs, any impact arising from the review of the NPAS formula, absorbing the impact of increased charges for other national services including national IT costs, and absorbing the failure of income (e.g.

partner funded PCSOs) to keep pace with inflation. A 2.0% increase has also been applied in subsequent years.

5.7 In addition the force also needs to budget for the following non-pay pressures:

- The impact of the new Motor Insurance contract costing an additional £0.657m. A full tender process was held during the summer but a low level of interest from providers resulted in little competition. Insurance consortium partner forces are actively working to introduce industry standard practices with the new insurer to manage down the risk from vehicle claims in the future through the monitoring and training of officers.
- Emergency Service Network (ESN) – given the delay to the national programme until 2022 and the extension of the existing contract, there are minimal direct revenue cost pressures of £0.236m in 2019/20. However, the impact of the delay on the national programme with the Home Office incurring greater costs, the proposed transition model and the approach to charging for non-core services does pose a medium-term revenue funding risk.
- ROCU Funding – A relatively small proportion of regional resource is funded from time-limited home office funding. It is envisaged the £90.000m Serious Organised Crime grant announced in the provisional settlement and additional Counter-Terrorism funding will serve to maintain this capability. Over the medium term there is still a risk that this grant could be removed but at this stage no additional local funding pressure has been reflected in the Medium-Term Financial Plan.

5.8 **Police Education Qualification Framework (PEQF)/Apprenticeship Levy –**

The Police service is moving to a new model of probationer training where a significant proportion of new entrants follow an apprenticeship in professional policing practice, with both on and off-the-job learning. On successfully finishing the programme, the apprentice completes the probation and achieves a degree. The 7 Force group are taking forward a procurement process to appoint an education provider and working with the College of Policing with a view to commencing this model in 2020. The force is also seeking to create police staff apprenticeship opportunities. The force currently contributes £0.630m per annum into the Apprenticeship Levy Fund. At this stage the costs related to the provider organisations, compared to the existing arrangements are still to be determined, but it is considered prudent to assume that Apprenticeship Levy drawn-down from 2020 onwards will be used to fund these additional costs, with the levy contribution representing an additional employer training cost. Forces can adopt different approaches to integrating the officer apprenticeship model, which has a greater level of abstraction, into their policing model. In 2019/20 the force is looking to maximise use of the

levy, but scope is limited to local police staff schemes and some additional offsetting costs and therefore a significant draw on this resource is not expected prior to 2020/21.

5.9 **Capital Financing Costs, Estates Running Costs and Rental Income -**

Costs are projected to increase by £0.137m in 2019/20 and £4.380m by 2022/23.

The costs of capital financing are driven by the availability of capital resources (capital receipts and grants) and the level of cash balances which need to be maintained through borrowing.

- a) In the MTFs capital receipts are forecast to be generated through the disposal of surplus sites as follows: £4.500m in 2019/20, £4.500m in 2020/21 and £5.000m in 2022/23.
- b) Reserves will continue to be drawn on to support the revenue budget over the next four years.
- c) The capital programme includes both cyclical and Estates Strategy spend (see Section 11) which will reduce the level of cash balances.

In order to finance the above it will be necessary to incur external borrowing with its associated costs of interest and minimum revenue provision and these costs are reflected in £4.380m above.

- 5.9.1 With regard to rental income relating to surplus sites and Police houses at this stage no additional income or project / development costs are built into the Medium-Term projections. However both the rental income and estates running cost figures will need to be reviewed on a regular basis to reflect the development of business cases, the award of contracts and the updating of implementation plans. A further review will be undertaken for the February SEB in advance of setting the final budget. It should be noted that Hertfordshire Capital financing costs are below National average figures, as set out in the recent HMIC VFM profile, 30th highest spend out of 41 forces. Estates costs are broadly in-line with overall force spend, 25th highest spend National and 3rd out of 8 forces in the MSG.

5.10 Time Limited / Change Resources - £1.595m

This resource represents spend for both change and ring-fenced purposes, such as the digitisation strategy, apprenticeship programme, estates strategy and OPCC commissioning, as set-out in Sections 6.8 and 6.9 below. This spend is funded entirely from specific reserves and it is projected that spend levels will reduce to £0.930m by 2022/23, as illustrated in Table 9a below.

Table 9a: 2019/20 to 2022/23 Time Limited Pressures

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total
Constabulary and PCC Time Limited Pressures	1.595	1.372	0.997	0.930	4.894

6. RESERVES PLAN

6.1 As part of the Medium-Term Financial Plan Hertfordshire has drawn down its significant reserves balance to support expenditure on new areas of investment, and to support time-limited change programmes designed to increase both effectiveness and efficiencies. Arising from this it is projected that total reserves will have reduced from £34.000m in 2017/18 to £25.070m at the end of 2018/19 financial year.

6.2 Table 10 below sets out the main reserves categories and balances:

Table 10: Reserves Balances

Reserve type	Balance 31/3/18 £m	Projected Balance 31/3/19 £m
Base Reserves	15.5	11.6
Constabulary Specific	8.8	4.6
PCC Specific	1.5	0.6
General Reserve	6.0	6.3
Road Safety	1.7	1.5
Ring Fenced Constabulary	0.5	0.5
Total Reserves	34.0	25.1

6.3 The OPCC is forecast to have reserves of £25.070m by the end of 2018/19, a reduction of £8.900m on the previous year. Since 2015/16 i.e. for the last four financial years, there has been a significant reliance on using one-off reserves to support ongoing revenue cost; which is unsustainable over the medium-term. Therefore this MTFs attempts to provide financial resilience through a sustainable budget that reduces this dependency and utilises an element of any additional precept or government funding to mitigate the PCC's need to use reserves.

6.4 Looking forward a further phased draw down of reserves has been built into proposed Medium-Term Financial Plan. This involves a reduced dependence on reserves and thereby strengthens the overall sustainability of the budget over the medium-term.

6.5 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 is 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 deliver sustainability through the

alignment of on-going spending and funding over the medium-term. The paragraphs below set out the proposed use of reserves in the medium-term and these plans will be reviewed on an annual basis.

6.6 Base Budget Support

- 6.6.1 It is assumed that a total of £10.748m of Base Budget Support reserve will be used in the following four years to mitigate the impact of increased standstill costs and the assumed cash freeze in grant funding. The reliance of reserves to support the base budget will reduce to £3.062m p.a. for 2019/20 and 2020/21, £2.562m in 2021/22 and £2.062m in 2022/23. This gradual decrease in reserve use is to avoid a funding cliff edge and a phased approach to removing reliance on reserves. It is considered that reserve use at this level will provide a suitable balance between use of this one-off resource and the need to make savings. It is considered that a use of base reserves of £3.062m in 2019/20 provides sufficient future flexibility to address potential risks particularly in the event of an increased funding gap and put in place a revised MTFs including the ability to increase precept if required.

Table 11: Use of Reserves to Support Base Budget

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Use of Base Support Reserve	3.062	3.062	2.562	2.062	10.748

*The reliance of the £3.062m base support reserve is equivalent to a £6.85 increase in council tax.

6.7 General Reserves

- 6.7.1 General reserves are forecast to stand at £6.300m (3.3% of 2018/19 budget) by the end of the year reflecting a forecast overspend of circa £1.500m. 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.

6.8 Time Limited - Change Reserves

- 6.8.1 It is planned that £0.600m of change related expenditure will be incurred in 2019/20. Expected areas of spend include the Regional Change Programme, Digitisation Strategy including implementation of Single On-line Home, Athena Benefits Programme and implementation of the Estate Strategy and

implementation of the new Apprenticeship/ Probationer police officer arrangements.

6.9 Other Specific Reserves

6.9.1 In addition to the areas above, there are a number of other specific reserves forecast to total £3.943m at the end of 2018/19. It is projected that £0.995m of these reserves will be drawn on in 2019/20, including £0.594m relating to OPCC Commissioning (see Section 9). Further details of specific reserves are set-out in Appendix C.

6.10 Projected Reserves 2019/20 to 2022/23

6.10.1 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 £15.600m over the next 4 years to stand at £9.400m (3.7% of the budget) by 31st March 2023. Table 12 below shows a year on year summary of the projected movement.

Table 12: Projected Reserves 2018/19 to 2022/23

	31st March 2019 £m	31st March 2020 £m	31st March 2021 £m	31st March 2022 £m	31st March 2023 £m
Base Budget	11.614	8.552	5.490	2.928	0.866
Constabulary Specific	4.554	3.453	2.575	1.875	1.175
PCC Specific Reserves	0.595	0.331	0.067	-	-
Total Useable Reserves	16.763	12.336	8.132	4.803	2.041
Road Safety Fund	1.489	1.259	1.029	0.799	0.569
Ring-Fenced Constabulary Reserves	0.518	0.518	0.518	0.518	0.518
Minimum Level of General Reserve	6.300	6.300	6.300	6.300	6.300
Total Projected Reserves	25.070	20.413	15.979	12.420	9.428

7. CONSTABULARY INVESTMENT PROPOSALS

- 7.1 As set out in Section 2 the Chief Constable has identified a number of areas where additional resourcing is required. These investment proposals have been developed against a wider assessment of capability and demand as set out in the first Force Management Statement (FMS) and an assessment relative to the comparative position.

Table 13: Summary of Investment Proposals

	2019/20 £m
Local Policing	3.361
Operational Support	1.249
Organisational Support	1.222
Total	5.832

- 7.2 **Local Policing £3.361m** – In response to increased demand on Local Policing Teams the force is investing in Local Proactive Teams, Specialist Crime Team, Crime Prevention resources and increased Probationer recruitment.

a) **Scorpion Local Proactive Teams - £0.900m**

- (i) Building on investment of 30 officers in this areas in 2018/19 a further 20 police officers posts has been requested by the Local Policing Command bringing the overall Scorpion capability to 50, and providing 5 in each CSP. This is seen as a priority area for investment. The Operation Scorpion units sit within CSPs providing local proactive capability. This resource is viewed by CSP Chief Inspectors' as a key tactical resource which can be locally tasked to prevent and detect crime (supporting the violent crime strategy), focusing on reducing burglary (including focus on travelling criminality rural crime), drug-related crime and anti-social behaviour, as well as providing proactive covert patrols of crime hot spots.

b) **Cybercrime, County Lines and Safeguarding - £1.071m.**

- (i) A force-wide review of investigative capacity is being undertaken. This is identifying the need to invest further resource in cyber, fraud and digital crime investigation capabilities in support of the vulnerable and businesses and recognising the changing pattern of crime. This will include 9 specialist officer roles and 6 specialist staff roles. The review has also focused on the need to strengthen the response to County Lines criminality with an additional 5 officer posts being invested in this area to ensure it remains

best placed to address the increased complexity of investigations and provide greater flexibility. Additional resources will also be focused on supporting Safeguarding partnership working and the retention of Crime Analyst capability through providing a market weighting. In addition to the above forces in England and Wales are to receive Police Transformation Fund grant towards the cost of establishing Force Specialist Cybercrime units and following a successful bid Hertfordshire's share of this funding is £0.200m.

c) Neighbourhood / Schools Based Problem Solving and Crime Prevention Police Officers - £0.590m.

- (i) The Local Policing Command has highlighted the need to strengthen our crime prevention resources and in response funding is being provided for 10 police officers within Community Safety Units. This resource will be integrated into local Neighbourhood Teams and schools and have a particular focus on knife crime and cyber. In addition a dedicated sergeant resource is required to support the Prevent agenda

d) Uplift of Probationer Officer Numbers - £0.800m

- (i) In anticipation of the move to the new probationer training approach (PEQF), which requires a longer period of training and abstraction from frontline duties, there is a need to maintain the high level of probationer recruitment so as to ensure the force is able to resource local policing teams during the transitional period. In the current year it is projected that officer in-take, largely probationers, will be approximately 220 officers exceeding turnover by approximately 100. This means the force is likely to commence the new financial year with actual officer numbers at or above 2,000.
- (ii) In 2019/20 an additional £0.800m is required to temporarily fund recruiting the additional probationer officers and thereby allow officer numbers to continue to exceed (the increased) establishment by an average of 25 across 2019/20. This will enable the force to operate with actual officer numbers of 2,034 during 2019/20. This time-limited funding builds in provision for additional uniform and equipment costs. At this stage it is planned that there would be a phased reduction in the Probationer Fund in 2020/21. This will be subject to review taking into account the introduction of PEQF and overall funding position including the outcome of the government's spending review.

7.3 **Operational Support – £1.249m** – The force's level of spend on Control Room, Custody and Criminal Justice is at or below the National and MSG average. Against the context of increased demand in these areas there is a need to direct investment in the following specific areas.

a) Force Control Room / Investigation Management Unit / Victim Service Team – £0.739m

- (i) The 2018/19 budget contained part-year funding for 71 additional posts providing resources to respond to the marked increase in demand, the increased focus on risk and vulnerability, and stronger investigation management and information sharing enabled through the Athena system, and improved support to victims throughout their journey with the Constabulary into the criminal justice system. Additional full-year funding of £0.514m is now required as teams have been recruited to full strength during the course of the year. This investment will also allow the force to establish a new 'Customer Champion' role to champion the customer journey, scrutinising and advising all parts of the Constabulary on how the customer experience can be improved. This will sit alongside the Victim Service Team, which as part of this investment will be increased from a permanent establishment of 11 to 15 staff. Alongside this the force has funded on a temporary basis 5 officer Crime Investigation posts within the Investigation Management Unit. Following a post implementation review it is recommended that these posts are now made permanent.

b) Custody Assistants - £0.350m

- (i) A review of Custody resourcing model has concluded that the current establishment is not sufficiently resilient to be able to address the demands experienced in custody, including the more resource intensive demands arising from Athena compliance. This is limiting training/abstraction resource and impacting on custody assistant / sergeant sickness levels and the ability to maintain minimum staffing levels. This in turn impacts on the ability to process custody admissions. An increase in the custody assistant establishment of 10 FTE will therefore release time for frontline officer to increase visibility and their productivity.

c) Criminal Justice – £0.160m

- (i) The introduction of the Athena system has highlighted the need to improve file quality and thereby improve the level of cases being accepted by the CPS and linked to this the level of conviction rates. Significant activity is being focused on this with the launch of the File Quality One Stop Shop

reinforcing best practice regarding disclosure and the management of digital evidence. There has also been a need to establish Local File Quality leads and strengthen resourcing within the Administration of Justice Team, including supervisory levels to triage and escalate cases. Hertfordshire's share of this investment in the Collaborative Team is £0.160m.

7.4 Organisational Support - £1.222m – The force overall spend on Support Services is 10% below the National Average and also below the MSG average. There is a need to supplement funding in the following three areas:

a) Human Resources – £0.440m

- (i) The BCH HR Department continues to face a high level of demand in response to the increased recruitment targets, progressing the review of BCH terms and conditions, the implementation of the new Police Probationer training requirements and the implementation of the new HR system. In response to the increased level of demand Chief Officers agreed to fund additional recruitment and Occupational Health resources in 2018, with Hertfordshire share of the costs projected at £0.440m.

b) National Enabling Programme (NEP) - £0.652m

- (i) The force is investing a further £0.652m into the National Enabling Programme. This investment in IT cloud services is designed to improve productivity by providing greater scope for mobile working and partnership working within the operational teams and greater security in terms of managing sensitive information. A BCH benefits realisation programme is being established aimed at improving the provision of mobile information to operational teams and enabling a 'work from anywhere' capability, thereby reducing travel time, supporting investigation and faster case progression for victims and witnesses. The investment will also enable greater sharing of digital information with partners within a secure network.

c) Estates - £0.130m

- (i) In taking forward the Estate Strategy there will be a marked increase in the Estates Department workload and specifically in managing multiple estates projects relating to Headquarters, Learning and Development, and Local Policing bases in Watford and North Herts. In light of this a review of Estate Department capacity has been undertaken which has recommended restructuring the Department to improve resilience, line management arrangements, and create more senior capacity in both

Capital Projects and Facilities. This will require additional investment of £0.130m.

7.5 The table below summarises the investments outlined above.

Table 14: Investment Summary

Area of investment	£m
Local Proactive Teams	0.900
Cybercrime, County Lines & Safeguarding	1.071
Neighbourhood/Schools Based Crime Prevention	0.590
Probationary officers	0.800
FCR/IMU/Victims Service teams	0.739
Custody Assistants	0.350
Criminal Justice	0.160
HR	0.440
National Enabling Programme	0.652
Estates	0.130
Total	5.832
Council Tax Equivalent £	13.04

7.6 Taking the standstill pressures of £6.393m (Table 8) and the investments outlined above (Table 14) above and applying the proportion costs that support the front line i.e.72.1%³ gives a total investment in the frontline of £8.814m or £19.71 of council tax precept. Table 15 below summarises the investments in front line police officers included Table 14 above.

Table 15: Summary of additional police officers

Area	Investment £m	Number of Police Officers
Crime Prevention	0.590	10
Cybercrime, County Lines & Safeguarding	1.071	20
Additional Probationary Officers	0.800	25
Operation Scorpion	0.900	20
Total	3.361	75

³ HMIC/CIPFA Police Objective Analysis (POA) - 2018

8. CONSTABULARY SAVINGS

8.1 A review of all force and collaborative budgets has been undertaken, and a medium term savings plan is being developed to achieve 2% efficiency savings year on year from 2020/21. Arising from this some £0.800m of 2019/20 savings have been identified, as set-out in Table 16 below.

Table 16: Saving Proposals

	2019/20 £m
Local Policing	0.250
Organisational Support	0.375
Operational Support	0.175
Total	0.800

8.2 Local Policing - £0.250m

a) Police Overtime - £0.250m

(i) As set-out in the VFM 2018 profile, the force spend on police overtime per head of population in in the top quartile nationally. The force has undertaken demand analysis work to better match resources to maximum demand periods. In addition the 2019/20 budget includes a significant increase in police officer numbers. In response the police officer overtime budget will be reduced by £0.250m and work will be taken forward to review scope for further savings in later years.

8.3 Organisational Support - £0.375m

a) Information & Communication Technology - £0.200m

(i) BCH Savings of £0.500m have been identified in non-pay budgets arising from brigading the ICT departments, establishing a single IT infrastructure and removing legacy systems since the introduction of Athena. This is equivalent to a 7% reduction in non-pay costs. Hertfordshire’s share of this is £0.200m. The BCH ICT Department was established in 2018 and involved a significant restructure with the overall level of resources retained and savings re-invested in additional capability to match the increased demands reflected in the IT and Digital Strategies and the broader Regional and National projects. At this stage it is considered not possible to generate a reduction in the overall ICT

staffing level, although this will be subject to on-going review over the Medium-Term period.

b) Human Resources - £0.100m

- (i) Alongside the investment set-out in Section 7 above there is also scope for savings within HR reflecting part-year savings relating to the introduction of the new i-Trent HR system (which provides improved access to information, and streamlines queries and wider HR processes) enabling self-service and HR Service Team efficiencies. In addition Hertfordshire's share of the HR costs, relative to Bedfordshire and Cambridgeshire, is reduced to bring the contributions in-line with overall force budgets. The total savings from these two areas is circa £0.100m.

c) Other - £0.075m

- (i) Within Finance a review of processes and structures has been undertaken following the introduction of the BCH finance and HR system enabling the greater sharing of resources across the 3 forces. With regard to Fleet a proposal has been developed for BTP to join the Chiltern Transport Consortium. This would serve to generate greater economies of scale offsetting standstill cost pressures and maintaining Hertfordshire's contribution in line with the existing budget. If this is not possible a greater vacancy factor will be introduced. In total savings of £0.075m can be generated from these two areas.

8.4 Operational Support - £0.175m

a) Criminal Justice – £0.175m

- (i) The provision of the Force Medical Examiner service within custody suites has been subject to tender, with the specification reflecting embedded staffing with a greater level of nurse based provision. Arising from the award of the new contract efficiency savings are projected commencing in April 2019.

8.5 The 2018/19 police officer budgeted posts total 1,959 and consists of 1,651 posts which relate to Hertfordshire only posts, 239 posts which constitute Hertfordshire's share of BCH teams and 69 posts which constitute Hertfordshire's of regional teams. The result of the above investment and savings is a net increases in police officer posts of 50 to 2,009. Alongside this the budget also provides time-limited resources to further increase the recruitment of student officers by 25, taking projected actual officers across

the financial year to 2,034. 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. Alongside the 239 collaborative Hertfordshire posts referred to above, Bedfordshire and Cambridgeshire posts in the BCH Collaborative Teams amount to circa 300 additional officers and provide specialist policing capability across all 3 counties.

9. POLICE AND CRIME COMMISSIONER BUDGETS

9.1 Office of the Police & Crime Commissioner (OPCC) Budget

9.1.1 The 2017 restructure of the OPCC, which reflected the wider requirements, increased responsibilities and manifesto commitments of the Commissioner, is now embedded. Despite the broadening scope of the OPCC's work, the 2019/20 budget remains the same as the previous two years at £1.566m and of this £0.168m relates to the Commissioner and Deputy Commissioner's salaries (incl. on costs). The Commissioner and Chief Constable have agreed to maintain the cost-effective arrangements whereby Constabulary support is provided to the Commissioner's office (e.g. Finance).

9.2 Commissioning Budgets

9.2.1 In 2019/20 the Commissioner will hold approximately £3.797m of budgets to fund initiatives and enable him to meet his wider commissioning responsibilities. These are set out in Table 17 below.

Table 17: Police and Crime Commissioner's Commissioning Budget

Fund Name	Funding Source	2019/20 £m
Community Safety Fund	Base Budget	0.850
Victim Support Services	MoJ Grant	1.364
Violence Against Women and Girls Fund	HO Grant	0.244
Road Safety Fund	Income/ Reserves	0.750
Commissioner's Community Initiative Fund	Reserves	0.150
Volunteering Fund	Reserves	0.094
Criminal Justice Innovation Fund	Base Budget	0.150
Fly Tipping	Reserves	0.020
Local Partnership Reserve Fund	Reserves	0.100
Criminal Justice Board	Income/Base Budget	0.075
	Total	3.797

9.2.2 Details of each budget is given below:

(a) Community Safety Fund

The Community Safety Fund for 2019/20 of £0.850m (£1.000m in 2018/19) 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.

(b) Victim Support Services

£1.364m has been allocated by the Ministry of Justice (MoJ) to provide victim services for 2019/20 including the delivery of victim led Restorative Justice. With the exception of £0.095m relating to child sexual assault, are not ring-fenced, enabling the Commissioner to determine the most appropriate allocation to deliver services locally. The MoJ Victims Services funding comes from the victims surcharge levied on offenders at Court.

(c) Violence against Women and Girls Fund (VAWG)

Funding of £0.435m was awarded by the Home Office over three years and the planned balance of £0.244m is expected to be spent in 2019/20 via HCC. 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.

(d) Road Safety Fund

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 £1.489m as at the end of 2018/19. 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. The budget for 2019/20 will be set at £0.750m.

(e) Commissioner's Community Initiative Fund

A Commissioner's Community Fund of £0.150m which is administered by the Hertfordshire Community Foundation, for a 10% fee, will be available to

applicants for distribution to approved projects during the course of the financial year.

(f) Volunteering Fund

A Volunteering Fund of £0.094m will be funded through reserves and incorporates various volunteering projects including independent custody (37 volunteers), dog welfare visitors (6 volunteers), Drivesafe (527 volunteers) and Stop & Search (17 volunteers).

(g) Criminal Justice Innovation Fund

A Criminal Justice Innovation Fund of £0.150m was 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 for 2019/20 has been allocated from the Community Safety Grant (see para (a) above).

(h) Fly Tipping

Following the introduction of £0.020m funding in 2018/19 of a pilot on fly tipping fund for directly supporting private landowners who are also victims of this crime, and from whom the PCC frequently heard at barn meets of the blight that fly tipping can cause, including money spent clearing this waste. The pilot involved the participation of two districts and as well as providing an increased victims focus around fly tipping for those in Hertfordshire's rural communities, it was also intended to develop the understanding of the prevalence and impact of fly tipping on private land, however, the uptake during the pilot period was less than anticipated. Therefore the OPCC is currently exploring the possibility of expanding the scheme to other districts and so a further £0.020m is being allocated in 2019/20.

(i) Local Partnership Fund

The £0.100m available in 2019/20 is the final year of a four-year allocation that was made available by the PCC to tackle public nuisance caused by ASB, fly-tipping and fly-grazing.

(j) Criminal Justice Board

This service was previously commissioned from the Constabulary, but from 2019/20 it was agreed that this work will be undertaken by the organisation chairing the HCJB, currently the PCC. The £0.075 allocated is funded from a combination of income from HCJB partners and base budget.

10. 2019/20 – 2022/23 MEDIUM TERM FINANCIAL PLAN (MTFS)

- 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 4 year period in-line with recent HMIC guidance and enabling a stronger focus on financial sustainability.

Table 18: Changes to Medium-Term Budget Gap (Cumulative)

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Grant Funding	(2.231)	(2.231)	(2.231)	(2.231)
Council Tax Income*	(10.917)	(13.097)	(15.295)	(17.511)
Constabulary and OPCC Standstill Costs	6.393	11.650	17.768	24.815
Constabulary and PCC Time Limited Pressures	1.595	1.372	0.997	0.930
Constabulary and OPCC Investment Pressures	5.832	5.432	5.032	5.032
Transfer of Standstill Costs from Reserves to Base Budget	1.723	1.723	2.223	2.723
Specific Reserves	(1.595)	(1.372)	(0.997)	(0.930)
Required Savings	(0.800)	(3.477)	(7.499)	(12.829)
Budget Gap	0.000	0.000	0.000	0.000

* assumes taxbase increases by 1.0% per annum and Band D Council Tax is increased by 2% p.a. (circa. £3.75) p.a.

- 10.2 In order to avoid a 'cliff-edge' budget gap scenario, whereby significant savings will be required in one year, a phased approach has been adopted to deliver manageable savings over the medium-term. Although the required savings into the MTFS, as set out in Table 18 above, is equivalent to the budget gap, after the application of base support reserve, however going forward an efficiency target of 2% will be applied. Table 19 below shows savings targets over the period.

Table 19: MTFS Saving Requirements

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Required Savings (annual)	(0.800)	(2.677)	(4.022)	(5.330)
Required Savings (cumulative)	(0.800)	(3.477)	(7.499)	(12.829)

10.3 The Chief Constable will continue to work with the PCC in agreeing efficiency plans and savings targets, including potential invest-to-save opportunities, in order to balance the budget. It is planned that over the coming years that in order to deliver a balanced and sustainable budget, which does not rely on one-off reserves, there will be a need to achieve savings and efficiencies through a combination of regional Seven Force procurement, Bluelight collaboration and income generation through the optimisation of capital asset and cost recovery.

11. CAPITAL PROGRAMME

Summary Capital Programme

- 11.1 Table 20 below shows a high level overview of the capital programme for 2019/20 to 2022/3. The table sets out a programme totalling £9.411m of expenditure in 2019/20, and a total of £69.225m up to 2022/23.


Table 20: Proposed Capital Programme 2019/20 – 2022/23

Planned Expenditure	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Estates Programme	3.606	27.400	16.900	0.400	48.306
ICT	3.850	2.964	1.275	1.275	9.364
ESN	0.236	3.045	1.088	0.000	4.369
Fleet	1.526	1.528	1.530	1.530	6.114
Technical & Specialist Equipment	0.193	0.293	0.293	0.293	1.072
Total Capital Programme	9.411	35.230	21.086	3.498	69.225
<i>Funded By:</i>					
Capital Grant	(0.600)	(0.600)	(0.600)	(0.600)	(2.400)
Capital Receipts	(4.500)	(4.500)	0.000	(2.898)	(11.898)
CFR	(4.311)	(30.130)	(20.486)	(0.000)	(54.927)
Total Capital Funding	(9.411)	(35.230)	(21.086)	(3.498)	(69.225)

- 11.2 The 2019/20 Capital Programme has been constructed following a review of 2018/19 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 2019/20 spend. This approach identified resources to reprioritise funding for the refurbishment of Hemel Hempstead police station and to support the renewal of mobile devices during 2018/19. The resultant 2019/20 figures reflect this process and provide a capital programme of £9.411m.
- 11.3 The 2019/20-2022/23 programme includes the proposed substantial investment to upgrade and redevelop the Headquarters site and investment in the local policing estate, where possible with local authority partners. In addition the programme includes funding towards the joint development of the HCC Longfield site with the Fire and Rescue Service. Work is progressing to develop the business case for the HQ redevelopment and is planned to be

considered later in the year. The programme also builds in estimated costs relating to Emergency Services Network (ESN), 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 £2.400m, capital receipts of £11.898m, and Capital Finance Requirement (CFR) of £54.927m.
- 11.5 The need to utilise CFR to fund the capital programme partly results from the reduced level of capital receipts and linked to this plans to retain an element of surplus properties for redevelopment to generate a rental income stream or to self-fund local development. (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 5.9). Work is on-going to finalise the capital programme and this will be presented alongside the Prudential Indicators and Treasury Strategy at the February Strategic Executive Board Budget Report.

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GROSS BUDGET 2018/19

	2018/19 Gross Budget £m
Local Policing	
Local Policing Command	82.4
Protective Services	6.7
Protecting Vulnerable People - Safeguarding	12.8
Crime Reduction & Community Safety Unit & SARC	3.5
Total	105.4
Operational Support	
Contact Management	14.6
Criminal Justice Department	2.9
Custody	5.0
Other	0.4
Total	22.9
Collaborated Protective Services	
Regional and BCH Uniformed (Road Policing, Major Crime Unit)	11.2
BCH & Regional Non-Uniformed (CT&DE, Major Crime, PSD, ERSOU)	16.3
Total	27.5
Organisational Support	
Estates and Facilities Department	8.6
HR (Including Training)	6.7
ICT	9.1
Organisational Learning	5.2
Information Assurance	1.9
Other (Finance, Collaboration, Procurement, Legal)	5.3
Total	36.8
Corporate Budgets	
Pensions	0.8
Capital Finance	1.4
Other	5.6
Total	7.8
Change / Operational Capability / Other Constabulary One Off Reserves	2.1
Officer of the Police and Crime Commissioner	
Office	1.6
Commissioning Budget	4.4
Total	6.0
Total Gross Budget	208.5

FINAL 2018 HMIC VALUE FOR MONEY (VFM) DASHBOARD SPECIFIC SERVICE AREAS

Local Policing

- Local policing (the biggest area of spend- £80.000m) Hertfordshire is spending 4.5% above the national average and 17.3% above the MSG level. However, it should be noted Hertfordshire is spending below average on related areas including, Intelligence and Protective Policing. Hertfordshire is spending a significantly greater proportion of budget on local policing (41.2%) compared to the National average (36.7%) in line with the PCC's commitment to maintain resourcing in local policing.
- Hertfordshire has the 13th highest level of resourcing for Neighbourhood Policing (2nd highest in MSG), and the 15th highest for Local Investigation (5th highest in MSG). Hertfordshire's spend in these two areas, per head of population is significantly above the force overall spend which is 28th highest.
- Hertfordshire's level of Response resourcing is 24th highest, and 3rd highest in MSG. However, given the broad and differing remits of these teams across the service it is considered difficult to establish comparable figures in this area.
- Spend levels on Criminal Justice including Custody is over 10% lower than national figures and 8% below MSG.
- Public Contact (including enquiry officers) – Spend is in-line with the national average and MSG average, following additional investment in this year.
- Roads Policing - Hertfordshire's expenditure on Roads Policing is marginally above both National and MSG average.
- Operational Support (Firearms, Dogs, PSU, Helicopter) spend is approximately 20% below national average and 3.0% below MSG, highlighting limited scope to achieve significant further savings.
- Intelligence – Spend is marginally below the National Average and the MSG average.
- Public Protection – Spend 15% below national average and marginally 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 Cybercrime) overall spend is in-line with national average and 20% above MSG average.
- Support Services – 35th highest 10.6% below national average, 6th highest in MSG (4% below the MSG average).
- Overtime – Hertfordshire has the 6th highest level of budgeted spend per head of population. Work will be taken forward in 2019/20 to review the use of overtime with a view to reducing overtime levels.

RESERVES PLAN AND ROBUSTNESS OF THE BUDGET ESTIMATES

As outlined in Section 6 there is a requirement for a reserves plan and the main parts of the plan are set-out in section 6, with further detail provided here alongside the Section 25 review below.

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 £6.300m (3.3% of the 2018/19 budget) would be adequate for the 2019/20 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. This figure reflects a range of risks of which the main risks provided for relate to budgetary control (£1.000m), major incidents (£1.800m) including Brexit deployment (either directly or through mutual aid to other forces); supplier business continuity (£0.500m), Police pay judicial review (£0.800m), the non-achievement of savings (£0.500m), and the failure or loss of operational IT systems (£0.400m). At 3.3% Hertfordshire's level of General Reserves are in the lower-middle quartile of the 42 forces.

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 2018/19.

Table 21: Reserves balances listing

Proposed Estimated Level of Specific Reserves	31st March 2018 £m	31st March 2019 £m
Base Budget Support	15.426	11.614
Change Reserves	6.213	3.213
Operational Capability Reserve	0.800	0.400
Local Partnership Reserve	0.200	0.100
Reactive Maintenance Fund	0.678	0.428
Ill-Health Early Retirement	0.340	0.000
Legal and Insurance Fund	0.150	0.150
Chief Constable's Forfeiture Fund	0.228	0.051
Consortium Reserve	0.212	0.212
PCC Criminal Justice Innovation Fund	0.150	0.000
PCC Efficiency And Innovation Fund	0.500	0.000
Commissioner's Reserve	0.820	0.595
Road Safety Fund	1.719	1.489
Police Property Act Fund (Resolved)	0.123	0.123
Unconditional Funding Reserve	0.395	0.395
Total Specific Reserves	27.954	18.770

C3 Review of Reserves

C3.1 The PCC's Chief Financial Officer notes that as at March 2018 Hertfordshire's total revenue reserves were in the top quartile of the 41 forces, however, the level of general reserves was in the bottom-middle quartile.

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 2019 is forecast to be £25.070m; including £6.300m of general reserves.
- The PCC should plan on the assumption of the need to retain £6.300m (3.3% of the 2018/19 net budget) as a minimum prudent balance in general reserves for the 2019/20 financial year.

- Reserve levels allow the commissioner to plan to make a draw of £11.614m on reserves to support the budget over the medium term.
- That the forecast £3.213m 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

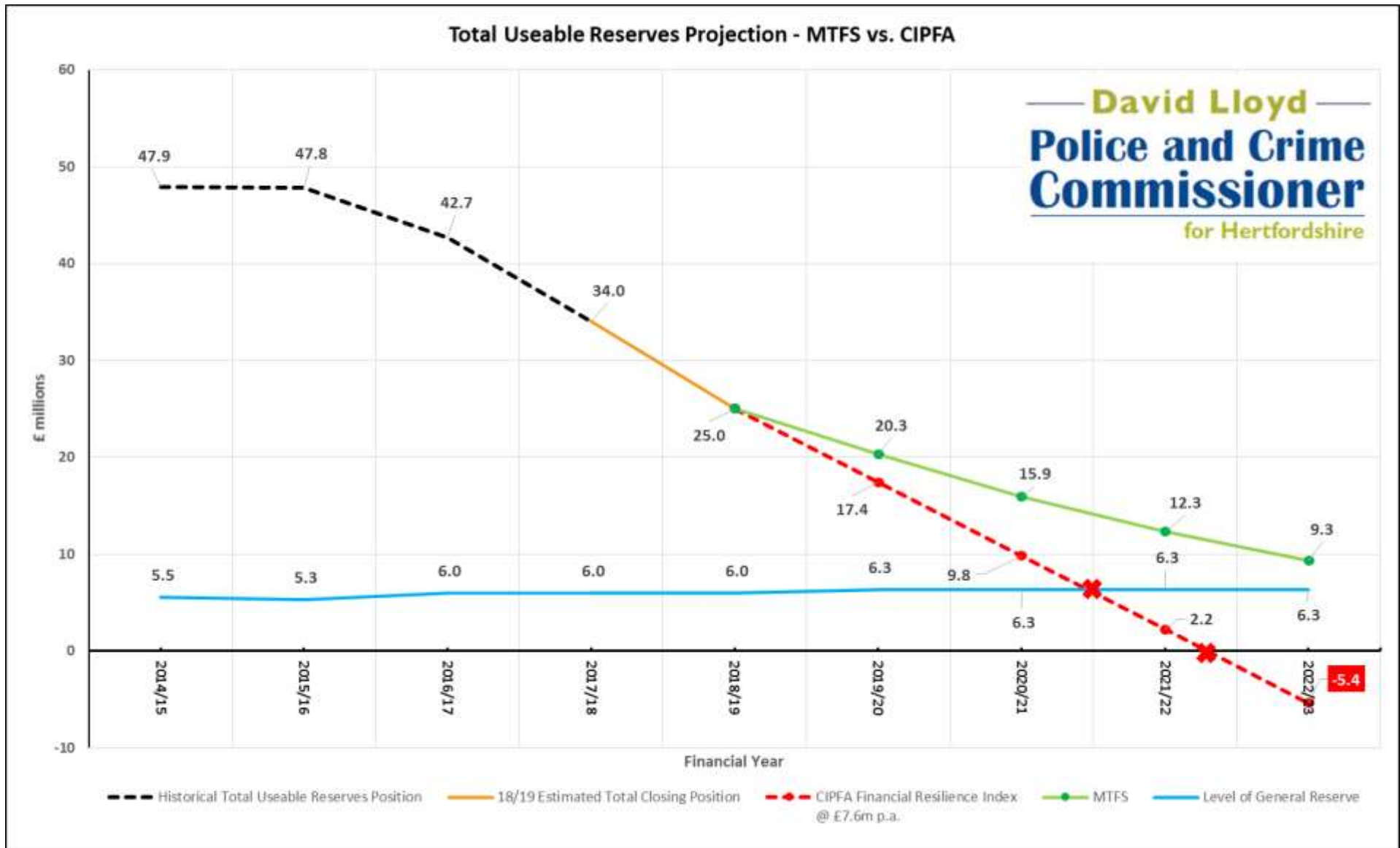
C4.1 Risk management is a key consideration for the PCC and the Chief Constable. There is an overall risk management strategy, and the PCC and Constabulary Risk Registers are updated on an on-going basis, reviewed by Chief Officers and presented to each Joint Audit Committee (JAC) for review. The Chief Constable's risk register is aligned with that of the PCC in order to facilitate an overall approach to risk management. The main offsetting risks that may impact upon the delivery of the 2019/20 budget are:

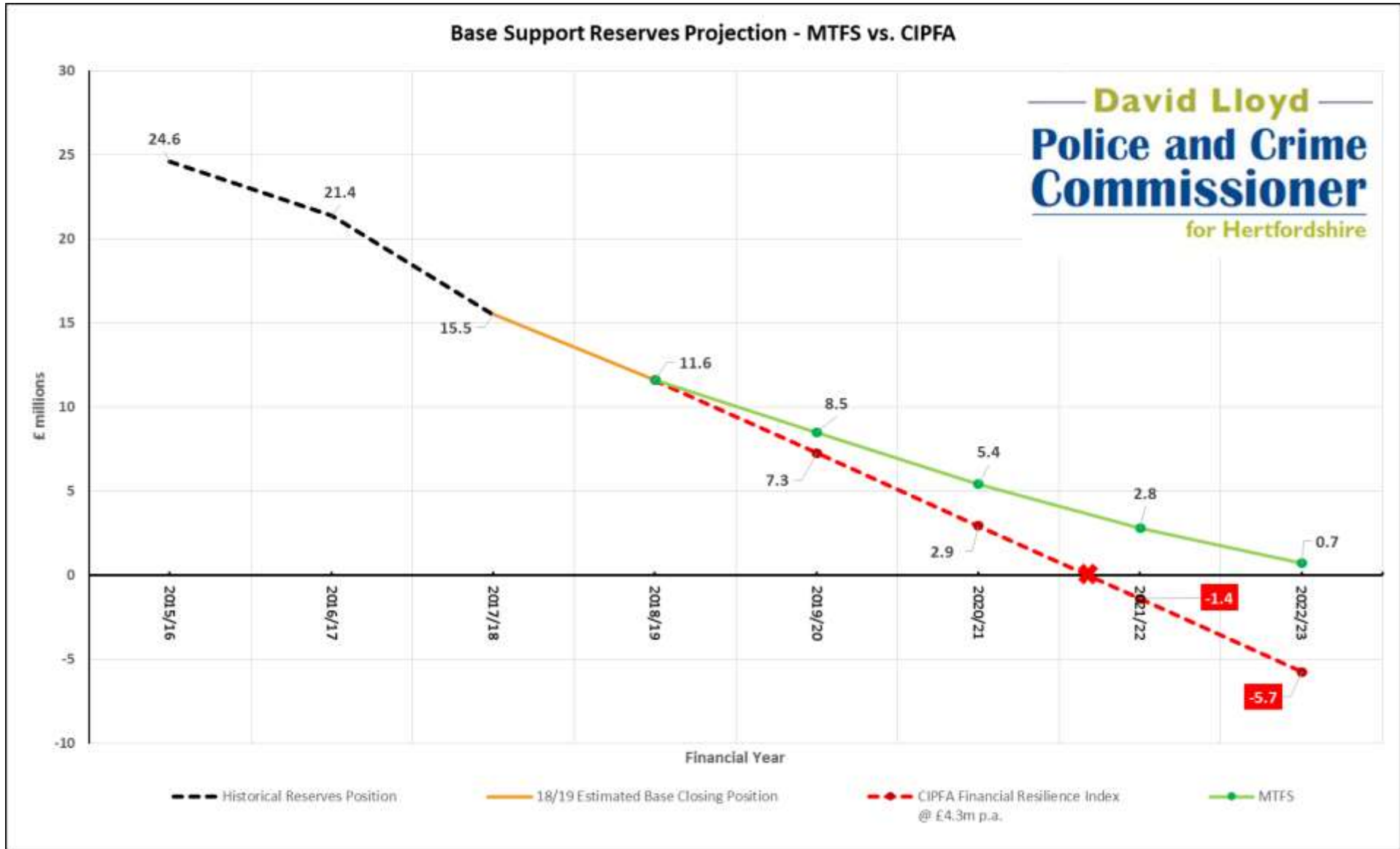
- The Constabulary has experienced additional expenditure demands in 2018/19 (see section 2) which have a financial impact through the need to meet increased contract costs and national IT requirements. Such demands have been addressed through establishing a minimum prudent reserve.
- Following the relaxation 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 record of delivering significant savings.

- C4.3 The setting a medium-term financial strategy in annual settlement regime presents financial risk to the organisation, in that uncertainty exists in regard to the level of grant funding in future years. Also the assumptions made in regard to national issues such as police pay, precepting flexibilities and ongoing pension support will be monitored alongside local level decisions around precept levels and the balance between capital receipts and rental income generated from surplus assets. Regardless of the above the medium-term budget estimates contained in this report will need to be reviewed following the outcome of the CSR in the summer of 2019.
- C4.4 Although not currently applicable to the policing sector, an application of the CIPFA Financial Resilience Index on 'reserves depletion rate', which was issued following the recent issuing of a *Section 114* at Northants CC, indicates that if Hertfordshire continues to use reserves at the same rate as the previous three years then they will be exhausted within 2½ years (as illustrated in the graphs below) and is the quickest amongst the MSG and 9th nationally. Further comparative analysis of reserves has been undertaken and shows that of 41 forces Herts' has the 5th highest draw on reserves both in terms of per capita and Net Revenue Expenditure (NRE).





RESERVE PLAN

Rational For Holding Reserves and Planned Use

Estimated Closing Balance 31/3/2019 £m	Description	Planned Use 2019/20 £m	Planned Use 2020/21 £m	Planned Use 2021/22 £m	Planned Use 2022/23 £m	Total Planned Use to 2022/23 £m	Closing Balance 31/3/2023 £m
6.300	<p>General Reserve 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 <i>Local Government Act 2003</i> on a risk basis considering a range of potential areas. The current level is circa 3.3% of the budgeted expenditure for 2018/19.</p>	0.000	0.000	0.000	0.000	0.000	6.300
11.614	<p>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.</p>	(3.062)	(3.062)	(2.562)	(2.062)	(10.748)	0.866

Estimated Closing Balance 31/3/2019 £m	Description	Planned Use 2019/20 £m	Planned Use 2020/21 £m	Planned Use 2021/22 £m	Planned Use 2022/23 £m	Total Planned Use to 2022/23 £m	Closing Balance 31/3/2023 £m
3.213	<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 in real terms over the medium term. It is envisaged 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 £2.400m will be incurred over the medium term leaving a balance of £0.813m. £0.500m is expected to be required to fund both local and BCH Change Programme costs including redundancies and estates adaptations as BCH Collaborations are progressed including HR, ICT, Custody, CJ Phase 2 and IMD. Circa £0.100m funding will be required to support the regional collaboration team.</p>	(0.600)	(0.600)	(0.600)	(0.600)	(2.400)	0.813
Other Specific Reserves							
0.400	<p>Operational Capability Reserve This reserve was established by the PCC at £1.600m to be used over four years to support operational priorities. To date £1.200m 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>	(0.100)	(0.100)	(0.100)	(0.100)	(0.400)	0.000

Estimated Closing Balance 31/3/2019 £m	Description	Planned Use 2019/20 £m	Planned Use 2020/21 £m	Planned Use 2021/22 £m	Planned Use 2022/23 £m	Total Planned Use to 2022/23 £m	Closing Balance 31/3/2023 £m
0.100	<p>Local Partnership Reserve This reserve was established by the PCC at £400k to be used over four years, of which 19/20 is the last year, and 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)	0.000	0.000	0.000	(0.100)	0.000
0.051	<p>Chief Constables Forfeiture Fund - Earmarked for Incentivised Income (POCA) 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 income budget. 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 compensatory saving.</p>	(0.051)	0.000	0.000	0.000	(0.051)	0.000

Estimated Closing Balance 31/3/2019 £m	Description	Planned Use 2019/20 £m	Planned Use 2020/21 £m	Planned Use 2021/22 £m	Planned Use 2022/23 £m	Total Planned Use to 2022/23 £m	Closing Balance 31/3/2023 £m
0.212	Consortium Reserve Hertfordshire share of joint consortium balances.	0.000	0.000	0.000	0.000	0.000	0.212
0.428	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.	(0.250)	(0.178)	0.000	0.000	(0.428)	0.000
0.595	Commissioner's Reserve PCC This reserve is funded from a one-off forfeiture income transfer during 2017/18. Spending plans for 2019/20 include £0.150m for the PCC's Community Initiative Fund an initiative that supports innovative local schemes that aim to make communities safer and £0.094m for the PCC's Volunteering Fund. In addition £0.020m will be used to fund expenditure incurred in relation to Fly Tipping.	(0.264)	(0.264)	(0.067)	0.000	(0.595)	0.000

Estimated Closing Balance 31/3/2019 £m	Description	Planned Use 2019/20 £m	Planned Use 2020/21 £m	Planned Use 2021/22 £m	Planned Use 2022/23 £m	Total Planned Use to 2022/23 £m	Closing Balance 31/3/2023 £m
1.489	<p>Road Safety Fund This ring-fenced 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. £230k per annum net of any in-year income generation.</p>	(0.230)	(0.230)	(0.230)	(0.230)	(0.920)	0.569
3.275	Other Specific Reserves – Useable Sub-total	(0.995)	(0.772)	(0.397)	(0.330)	(2.494)	(0.781)
0.395	<p>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.</p>	0.000	0.000	0.000	0.000	0.000	0.395
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	0.000	0.000	0.000	0.000	0.150

APPENDIX C

Estimated Closing Balance 31/3/2019 £m	Description	Planned Use 2019/20 £m	Planned Use 2020/21 £m	Planned Use 2021/22 £m	Planned Use 2022/23 £m	Total Planned Use to 2022/23 £m	Closing Balance 31/3/2023 £m
0.123	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	0.000	0.000	0.000	0.000	0.123
3.943	Other Specific Reserves Sub-total	(0.995)	(0.772)	(0.397)	(0.330)	(2.494)	(1.449)
25.070	Grand Total	(4.657)	(4.434)	(3.559)	(2.992)	(15.642)	9.428

2019/20 Council Tax for Police and Crime Commissioner Purposes

CT Band	A	B	C	D	E	F	G	H
Ratio to Band D	6/9 67%	7/9 78%	8/9 89%	9/9 100%	11/9 122%	13/9 144%	15/9 167%	18/9 200%
18/19 Precept	£109.33	£127.56	£145.78	£164.00	£200.44	£236.89	£273.33	£328.00
19/20 Precept	£125.33	£146.22	£167.11	£188.00	£229.78	£271.56	£313.33	£376.00
Annual Increase	£16.00	£18.66	£21.33	£24.00	£29.34	£34.67	£40.00	£48.00
Weekly Increase	£0.31	£0.36	£0.41	£0.46	£0.56	£0.67	£0.77	£0.92

2019/20 Precept amounts required from the District Councils

	£
Borough of Broxbourne	6,584,888.00
Dacorum Borough Council	10,799,998.40
East Hertfordshire District Council	11,415,717.20
Hertsmere Borough Council	7,759,512.00
North Hertfordshire District Council	9,305,699.20
St Albans District Council	11,676,163.00
Stevenage Borough Council	5,138,021.20
Three Rivers District Council	7,349,314.80
Watford Borough Council	6,174,032.80
Welwyn Hatfield District Council	7,875,244.80
Total Precept	£84,078,591.40

CAPITAL PROGRAMME

E1 Estate Programme - £3.606m

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; and
- 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 & Rescue.

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

Table E1: Estate Programme

Planned Expenditure	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
HQ/Longfields	2.750	23.000	15.500	0.000	41.250
Local Estate and Maintenance	0.856	4.400	1.400	0.400	7.056
Estates Programme	3.606	27.400	16.900	0.400	48.306

E1.3 **Headquarters and Longfield Development - £2.750m** – 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 a sizeable proportion of the site, which will enable the move to a more flexible, cost efficient facility. This project also provides an opportunity to widen the range of services and partners based at the Headquarters site and in support of this the OPCC is exploring the benefits and feasibility of achieving greater partnership working on the site with Bluelight and Community Safety partners (Community Safety Campus).

In addition the Constabulary is working with the Fire Service to develop proposals to enhance the existing joint training facilities based at Longfield.

Recognising the significant investment requirement relating to the Headquarters refurbishment and to a lesser extent the Longfield these projects are subject to further business case development, with approval process and subsequent progress to enabling works anticipated in the first half of 2019/20.

E1.4 Local Estate and Maintenance - £0.856m –The PCC has a strong commitment to the provision of local policing bases within each of the 10 Community Safety Partnerships (CSPs). In support of this the PCC is currently investing £2.000m from within the current year's Capital Programme in the redevelopment of Hemel Hempstead Police station. Following investment in recent years across CSPs further investment is being built into the 2019/20 Capital Programme relating to planned developments at Watford (£0.100m), initial costs for the co-location of stations in North Herts (£0.150m) and an allowance for other co-location opportunities arising during the year (£0.050m). In addition there is an allowance of £0.456m for Minor Works on the local estate.

E2 Information Communication Technology (ICT) Investment Programme - £3.850m

E2.1 The ICT capital investment programme is developed recognising the need to support policing functions through the right investment in infrastructure, systems, and mobilisation. The 2019/20 programme contains elements constructed on a BCH basis, with each force contributing to investment on a Net Revenue Expenditure (NRE) basis, as well as force specific spend such as laptop replacement and the renewal of mobile devices.

E2.2 The following key themes have been considered in setting the programme for 2019/20 and beyond:

- 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 need to integrate regional and national projects such as Emergency Services Mobile Communications Programme (ESMCP) into the programme recognising the need to revalidate timescales and the profile of national and regional spend on regular basis; and
- The continuing move to hosted cloud based systems which has seen the removal from the capital programme of the annual Microsoft Enterprise Agreement under NEP and its inclusion in the revenue budget.

Table E2: ICT Investment Programme

Planned Expenditure	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Operations	1.139	0.784	0.370	0.370	2.663
Applications	0.188	0.000	0.000	0.000	0.188
Networks	0.379	0.411	0.228	0.228	1.246
Infrastructure	0.415	0.270	0.155	0.155	0.995
Communications	0.343	0.214	0.215	0.215	0.987
Mobile Communications	0.932	1.115	0.308	0.308	2.663
Projects	0.454	0.171	0.000	0.000	0.625
Total	3.850	2.965	1.276	1.276	9.367

Operations - £1.319m

- Herts personal Issue of laptop £0.680m representing the cost expanding the laptop user base to provide flexibility and support agile. This represents the second year of investment in the personnel issue of laptops to Response and Safer Neighbourhood Teams. PC replacement totalling £0.391m based upon rolling programmes of 5 years for desktop devices and 3 years for laptops to mitigate any security concerns in respect of cyber-attacks on older models.
- Replacement printers and port replicators £0.068m.

Applications - £0.188m

To fund enhancements being made to the *TuServ* system and to invest in enhanced Enterprise Search capability due to the increased number of systems now integrated.

Networks - £0.379m

- Security Applications £0.141m. The *Ironport*, which provides email AV/AM/As scanning and web filtering requires replacement.
- Cisco Switch replacement £0.214m. A number of legacy network switches have no support option available on them and require replacement. Work is underway to implement a rolling replacement strategy of £300k/£400k or 150 units pa across BCH.

- Other network associated costs include router and firewall replacement £0.023m.

Infrastructure - £0.415m

The focus of the investment is on improving the existing storage solution which is running at maximum capacity and is out of support in 2020 (£250k), improving the backup solution (highlighted in penetration testing from modern threats which are now targeting backup products as well as improving backup performance and recovery times) and supporting the 5 year Infrastructure replacement programme.

Communications - £0.343m

Call handling system upgrade and investment in IPT telephone system replacement and voice recording updates.

Mobile Communications - £0.932m

- Airwave Replacement - With the delay in delivery of ESMCP there will be a requirement to replace 1,400 existing handsets across BCH. Hertfordshire's share of the cost is £0.330m.
- Mobile Phone - the replacement of remaining Windows Phones across BCH as per the recent Telco contract agreed in June 2018 at a cost of £567k.
- Body Worn Video, minimal spend in 2019/20 as work continues to review of current solution and so spend on replacement of units currently out of support. Strategic business steer is that the costs to replace all Herts units in 2020/21 will cost £0.856m.

Projects - £0.454m

Business led projects included within the ICT Capital Programme include:

- Digital Evidence/interview recording equipment £0.257m. Estimate based upon cost of the current system. A managed network solution is likely to be considerably more expensive and would require the installation of further network infrastructure;
- Implementation of the BCH ERP ABLE system is expected to be completed in 2019/20 with completion of the roll out of Payroll to Beds and Cambs and the transition to the new CARMS duty management. Herts share of 2019/20 capital costs is estimated at £0.150m; and
- Implementation of Smart Storm of requires an upgrade to infrastructure to as per ICT delivery plan at a cost of £0.048m.

E3 Emergency Services Mobile Communications Programme - £0.236m

Table E3: ESN

Planned Replacement	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Replacement Cost	0.236	3.045	1.088	0.000	4.369

3.1 The transition to the national Emergency Services Network (ESN) has been deferred and is now planned to take place in 2022. Regional forces have indicated that they will await the ESN Prime product, which is not expected to be available before 2021. This will lead to the deferral of spend with limited expenditure in 2019/20, and the substantive spend occurring projected in 2020/21. The Airwave contract has been extended until at least 2022, and the ICT capital programme for 2019/20 includes replacement of 1,400 across BCH, at a cost of £0.330m (see mobile communications above).

E4 Fleet - £1.526m

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 remain very competitive, uncertainties around the potential impact of Brexit on the car industry, as well as continued national moves towards more expensive police vehicle models, add cost pressures to the replacement programme for future years. The latest increase of 4.7% in the national BMW contract means that those costs have now risen by over 10% since last financial year. Costs for Ford vehicles have also increased by between 1% and 8%.

E4.2 The Hertfordshire fleet replacement programme for 2019/20 has been set at £1.526m.

Table E3: Fleet Replacement Programme

Planned Investment	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Replacement Cost	1.526	1.528	1.530	1.530	6.114

Table E4: Fleet Replacement Vehicle Numbers

Planned Replacement	2019/20	2020/21	2021/22	2022/23	Total
Vehicle Numbers	92	80	83	83	338

E5 Technical and Specialist Equipment - £0.193m

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	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
ANPR	0.060	0.060	0.060	0.060	0.240
Joint Protective Services	0.083	0.133	0.133	0.133	0.482
Specialist Equipment	0.050	0.100	0.100	0.100	0.350
Total	0.193	0.293	0.293	0.293	1.072

E5.2 ANPR (£0.060m) – This resource allows the force to maintain investment in the replacement of existing camera sites.

E5.3 Joint Protective Services and Specialist Equipment (£0.083m) – This programme provides for Hertfordshire’s contribution to the replacement of specialist forensic and scientific equipment within BCH JPS units and other specialist teams. An annual programme of £0.050m 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.

MINIMUM REVENUE PROVISION POLICY 2019/20

F1 Background

- F1.1 In accordance with guidance issued under section 21(1A) of the *Local Government Act 2003* 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 2019/20 on his 2018/19 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 MHCLG Prudent Minimum Revenue Provision Options

- F2.1 Options 1 and 2 are essentially the same as the 4% reducing balance approach and may only be used in relation to capital expenditure incurred before 1 April 2008.
- 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 the current budget assumptions.
- F2.4 For 2018/19 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 2019/20.