



David Lloyd
**Police & Crime
Commissioner**
FOR HERTFORDSHIRE

Decision by the Police and Crime Commissioner for Hertfordshire

Item: 2022/2023 Revenue & Capital Budgets

Date: 26 January 2022

Decision: The proposal was approved at the above Strategic Executive Board.

Summary: The proposal is set in the context of Spending Review 21 (SR21), the provisional Police Settlement from the Home Office and pressures on income and expenditure including the current relatively high levels of inflation.

It proposes to raise the percept by £10.00 for 2022/23 and so maximise the additional investment in policing. An increase in the average (Band D) Council Tax by £10.00 to a figure of £223.00 represents a 4.69% increase on the policing element of the county's average (Band D).

Paper: 2022/2023 Revenue & Capital Budgets

Meeting	Strategic Executive Board
Date	26 January 2022
Title	2022/23 Revenue & Capital Budgets
Submitted By	Director of Resources for the Constabulary and the Chief Financial Officer of the Police and Crime Commissioner
Purpose of Report	To notify SEB of the proposed 2022/23 Budgets prior to submission to the Police & Crime Panel
Recommendation	That the budget for 2022/23 is approved. That the council tax increases for 2022/23 are approved.
Financial Implications	Included in the body of the report
Risk Implications	Failure to apply sound financial management principles over the medium-term may threaten the organisation's financial sustainability.
Legal Implications	Section 17 (6) of the Police Reform and Social Responsibility Act 2011 and Policing Protocol Order 2011 which sets out the high-level financial responsibilities of the PCC and CC.
Equalities Impacts	None
Freedom of Information Exemption Section if Applicable	None

1. Introduction to the budget by the Chief Constable

Ambitious about the future, the Constabulary has grown substantially in recent years and the proposed 2022/23 budget will provide the platform for further improvement in the service we offer our communities through the growth of dedicated community resources, harnessing of new technologies and creation of additional capacity in key areas of the constabulary. The proposed budget will also allow us to consolidate our recent growth and further embed our Prevention First approach to policing which is focused on preventing harm, preventing crime, preventing offending, increasing trust and working together.

This investment in the Constabulary detailed in this report is, I consider, necessary given the recent population growth in the county and projections for 30% more housing and a 15% population increase over the next ten years. It will enable our policing services and structures to evolve to meet current and future threats by strengthening our neighbourhood and specialist teams, our work with partners and the taking forward our Prevention First approach. It will help to drive our cultural change, encourage innovation, and enable us to seek new ways to reduce crime and reassure communities. Hertfordshire already enjoys the lowest crime rate per head of population in the East of England and is amongst the very lowest nationally. My aim is to improve this still further, where less crime means fewer victims and an environment where people feel safer and are more confident meaning Hertfordshire is supported to flourish.

We remain fully committed to the national Police Officer 'Uplift' programme and by the end of the year the force will have 364 more police officers in post than at the start of 2019/20. These additional officers are already making a real and visible difference throughout Hertfordshire and completion of the Uplift programme will achieve a step-change in our police officer numbers to the benefit of local communities.

This welcome growth presents an exciting opportunity to capitalise on the enthusiasm that a relatively young workforce brings and to shape our culture, nurture new skills and develop our policing approach for the future. This will be particularly helpful as we embed the Prevention First approach throughout the workforce and engage partner organisations around this. However, the substantial increase in officer numbers does present some short-term challenges as we recruit, train, deploy and build the experience of these officers. Taken alongside normal officer turnover, the Constabulary will have recruited 1,100 new constables in three years, resulting in more than half of all constables having less than three years' service by 31/3/2022. This requires continued investment not only in the new officers but also the necessary infrastructure to recruit, train and enable the Constabulary to take advantage of the significant opportunity they present.

Alongside the constable growth, this budget provides for the creation of 26 additional sergeants in front-line supervisory posts. These posts are key to giving these new officers, many of whom have started their careers in the midst of a pandemic, the very best introduction to operational policing.

Beyond boosting officer numbers, this budget will also enable us to recruit a further 20 Police Community Support Officers. I remain absolutely committed to the

neighbourhood policing model of delivery, which already operates very well in Hertfordshire, and this will be strengthened further by these additional PCSOs. They will be embedded in local communities and have a particular focus on working in schools and with young people to tackle anti-social behaviour and divert children away from criminality, very much in line with our Prevention First ethos.

The Constabulary will also take steps to strengthen our emergency call handling capacity by the recruitment of an additional 20 police staff call handlers. This additional capacity will further improve our good call handling performance, ensuring that we both answer calls very promptly and have sufficient time to focus on call quality. The handling of the initial call is so important in shaping the service that then follows from the Constabulary and this investment will provide an even better service to members of the public who contact us in an emergency or for other reasons.

In further support of our Prevention First efforts in 2022/23, we are enhancing our analytical capability to best target effective policing interventions, including towards crime hotspots, identifying emerging problems at an early stage, making use of the wider range of data available to policing and providing the insight for operational teams to take decisive action. The investment in this area will also be used to further our digital programme, supporting the development of new digital technologies and trialling of tools and techniques that will provide direct benefit to our communities by improving our effectiveness and efficiency, such as the ability to directly transfer video evidence to us.

Finally, we will invest further to support the Constabulary commitment to reducing violence against women and girls with the creation of a dedicated fund to support our work on this with partners across the county. This fund is in addition to the £34m already spent annually by the constabulary in this key priority area, will support the strategic priority we place on this work and further demonstrates our determination to see fewer women and girls fall victim to crimes of violence.

I feel that this is an exciting time for Hertfordshire Constabulary. There is much to celebrate already about what we achieve for our communities and how we are currently positioned to meet their needs, whilst also being more to be done. There are substantial opportunities in the year ahead to deliver such improvements with the investment this report details. I look forward to working with the Office of the Police and Crime Commissioner as well as colleagues across the force and our partners over the next 12 months to make our vision a reality.

Charlie Hall QPM, Chief Constable

2. SUMMARY

The report at annex A sets-out the draft 2022/23 budget proposal for the Constabulary. The proposal is set in the context of Spending Review 21 (SR21), the provisional Police Settlement from the Home Office and pressures on income and expenditure including the current relatively high levels of inflation.

The proposals are based upon the assumption that the PCC will use the flexibility set out by the government in SR21 to raise the percept by £10.00 for 2022/23 and so maximise the additional investment in policing. An increase in the average (Band D) Council Tax by £10.00 to a figure of £223.00 represents a 4.69% increase on the policing element of the county's average (Band D).

The PCC has a legal duty, under Section 44 of the Local Government Finance Act 1992, to set a balanced, realistic and financially sustainable budget each year and furthermore must ensure that it has adequate reserves to remain viable, stable and effective in the medium to long term. The table below shows the calculation for the net budget and precepting requirement for 2022/23 (full details are contained in the appendices).

Table 1 – Net Revenue Budget Movement 2021/22 to 2022/23

Budget Heading	£m
Net Budget 2021/22	230.059
Standstill costs	8.820
Savings	-1.621
Investment & Growth	6.945
Net Budget 2022/23	244.203
Less Home Office Settlement Grants	-134.186
Less Additional Core Grant	-7.584
Less Collection Fund surplus	-0.200
Council Tax Precept Requirement for 2022/23	102.233
Estimated number of band D properties (No.)	458,446
2022/23 Band D Precept requirement £ p.a.	223.00
Current Band D Precept (2021/22) £ per annum	213.00
Increase required £ per annum	10.00
Increase required % per annum	4.69%

The 2022/23 Gross budget is shown below:

Table 2 - Gross Revenue Budget 2022/23

Gross to Net Budget	£m
Gross Budget	260.692
Fees & Charges	(7.929)
Other Grants	(6.820)
Local Authority PCSO funding	(0.704)
Reserves	(1.036)
Net Budget	244.203

Based on the preceding information the resultant draft budget (gross) at a portfolio level is set out below:

Table 3 - Gross Portfolio Budget 2022/23

	Gross Budget 2021/22 £m	Gross Budget 2022/23 £m	Change £m	Change %
Local Policing	127.307	135.418	8.111	6.4%
Protective Services	39.880	41.833	1.953	4.9%
Operational Support	29.013	29.349	0.336	1.2%
Organisational Support	33.735	35.605	1.870	5.5%
Corporate Budgets	10.657	11.701	1.044	9.8%
PCC	6.786	6.786	-	0.0%
Total	247.378	260.692	13.314	5.4%

3. RECOMMENDATIONS

3.1 It is recommended that the PCC approves the 2022/23 budget as proposed.

3.2 It is recommended that the PCC increases the council tax as proposed (equivalent to a £10 increase for a Band D property).

Appendices:

Appendix A – 2022/23 Police finance settlement

Appendix B – Precept

Appendix C – Standstill costs

Appendix D – Investment

Appendix E – Efficiency savings

Appendix F – Medium term financial strategy

Appendix G - Office of the police & crime commissioner (OPCC)

Appendix H – Revenue Budget Detail

Appendix I - Capital Programme 2022/23 to 2025/26

Appendix J - Adequacy of reserves

Appendix K – Robustness of estimates

Appendix A – 2022/23 POLICE FINANCE SETTLEMENT

The 2022/23 Provisional Settlement was announced on 16 December 2021 and the deadline for responses is 15 January 2022. The settlement follows the three-year spending review (SR21) and takes place with a backdrop of severe economic difficulties due to the ongoing Coronavirus pandemic. The main elements of the Settlement are set out below:

i. Core Grant

The Government's Core Funding (made up of Police Grant, Ex-DCLG grant) provisional settlement provided additional non-ringfenced grant of £7.583m, which will increase the total core grant to £131.541m.

In addition, the provisional settlement also confirmed continuation of pension grant of which Hertfordshire's share is £2.025m; which is a contribution towards the increased police pension employer's contribution rates that arose in 2019/20. It also confirmed that the £10.228m of ring-fenced council tax legacy grant that Hertfordshire currently receives will be retained in 2022/23.

	2021/22 £m	2022/23 £m	Change £m	Change %
Core Grant	123.958	131.541	7.583	6.1%
Council Tax Legacy Grant	10.228	10.228	0.000	-
Pension Grant	2.025	2.025	0.000	-
Total	136.211	143.794	7.583	5.6%

ii. Specific Grant – Uplift Funding

In line with last year the provisional settlement sets out specific grant funding towards the cost of the uplift of officer numbers, which can be claimed on the achievement of the uplift target. The 2022/23 allocation to Hertfordshire totals £2.06m and is earmarked specifically for the uplift programme. This will allow the Constabulary to increase police officer establishment by 122 (including 6 FTE for ERSOU) by the end of March 2023 to achieve its final 304 FTE uplift target.

iii. Capital Grant

The provisional settlement sets out that the Police Capital Grant has been stopped resulting in the loss of £0.157m p.a. of capital programme funding.

iv. Ministry of Justice (MoJ) Grants

In addition to the Home Office settlement funding outlined above the PCC also receives grant from the MoJ for commissioning victims' services. At this point it is assumed that the 2022/23 allocation will continue to be distributed according to the 2018 population estimates, which equates to circa £1.384m for Hertfordshire, although an announcement is expected in January 2022.

Appendix B – Precept

In addition to grant funding, the Government has set-out precept flexibility of up to £10 before a referendum is required in each of the three years of SR21. For 2022/23 an increase of £10 would generate additional income of £4.584m.

a. Taxbase

The taxbase is calculated by the billing authorities by converting all properties to Band D equivalents and making assumptions about the levels of discounts to be offered and the amount of tax to be collected. The final council tax base and collection fund balance estimates for Council Tax provided by the 10 billing authorities estimate the police tax base to increase by 1.8% realising a further £1.711m of income.

Hertfordshire Boroughs & Districts' Taxbase				
Borough/District	Tax Base	Tax Base	Change	
	2021/22	2022/23	No.	%
	No.	No.	No.	%
Broxbourne Borough Council	34,333	35,722	1,389	4.0%
Dacorum Borough Council	58,694	59,328	634	1.1%
East Herts District Council	61,734	62,610	876	1.4%
Hertsmere Borough Council	41,887	42,800	913	2.2%
North Herts District Council	49,397	49,965	568	1.1%
St Albans District Council	61,607	63,368	1,761	2.9%
Stevenage Borough Council	27,734	28,004	270	1.0%
Three Rivers District Council	38,774	39,260	486	1.3%
Watford Borough Council	32,786	33,891	1,105	3.4%
Welwyn Hatfield District Council	43,462	43,498	36	0.1%
TOTAL	450,409	458,445	8,036	1.8%

A summary of the additional income generated from the above taxbase change is as follows:

Taxbase Calculation	Amount
Estimated number of band D properties – 2022/23	458,445
Number of band D properties – 2021/22	450,409
Increase in tax base properties	8,036
Band D council tax rate	£213.00
Increased tax base income	£1.712m

b. Collection fund

The collection fund reflects the year-to-year differences between estimated and actual collection of Council Tax because of changes in collection rate and levels of tax base growth. In 2020/21 the impact of the pandemic generated an exceptional net deficit of £0.713m. The government provided flexibility to recover this deficit over three years resulting in a balance of £0.238m p.a. recoverable deficit from 2021/22 to 2023/24. In addition to this, Billing Authorities collection rates are showing a recovery from last year and whilst a number of authorities' return are yet to be confirmed, at this stage an overall surplus of £0.200m after allowing for 2020/21 deficit recovery has been included in the budget.

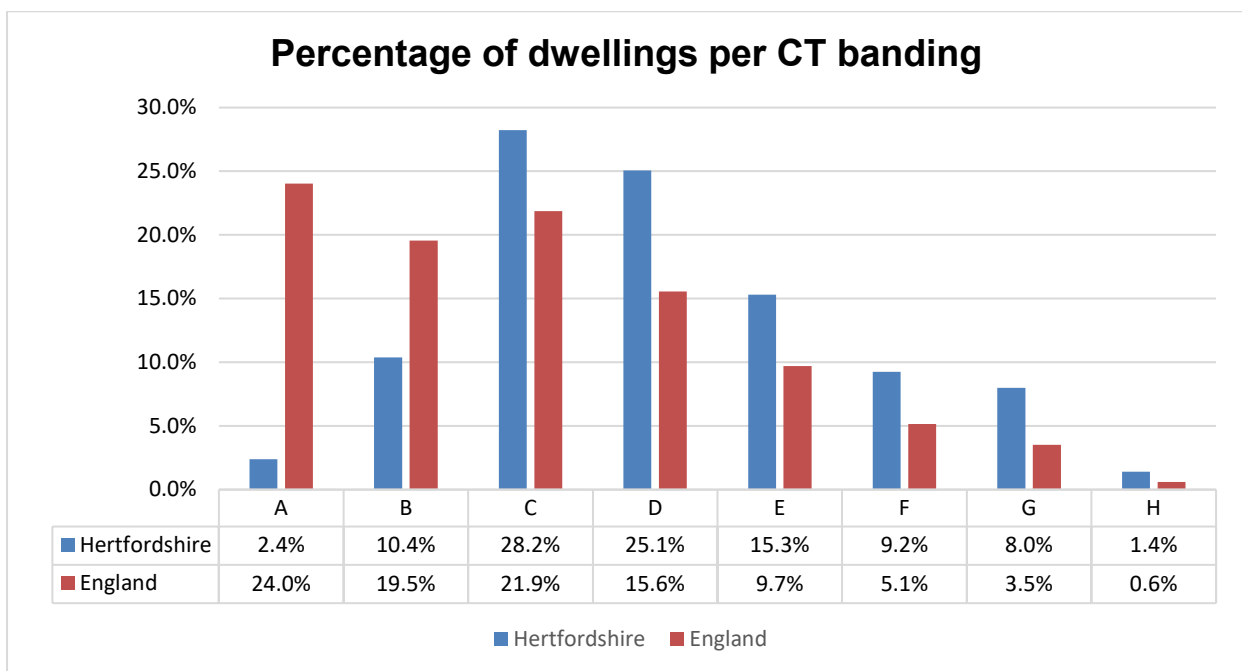
Final Collection Fund Surplus/(Deficit) relating to the PCC			
District	2021/22	2022/23	Change
	£	£	£
Broxbourne Borough Council	-110,141	264,189	374,330
Dacorum Borough Council	8,417	-107,190	-115,607
East Herts District Council	-	58	58
Hertsmere Borough Council	68,802	167,699	98,897
North Herts District Council	-58,378	-773	57,605
St Albans District Council	22,173	164,457	142,284
Stevenage Borough Council	36,880	48,369	11,489
Three Rivers District Council	33,024	TBC	TBC
Watford Borough Council	19,961	TBC	TBC
Welwyn Hatfield District Council	-84,475	-317,667	-233,192
TOTAL	-63,736	200,000	263,736

c. Band D Council Tax

The assumed band D council tax policing precept proposed for 2022/23 is £223.00, an increase of £10.00 or 4.69% on the comparable figure for 2021/22.

Hertfordshire's current 2021/22 Band D council tax precept of £213.00 is below the English national average of £236.44 and if all PCCs for English police forces, were to also increase by £10.00 then Hertfordshire would be 9.5% below average.

The graph below shows the composition of the dwellings in Hertfordshire in comparison to the average for England¹.



As can be seen, 66.1% of Hertfordshire's properties are in Bands A to D and so will pay £223.00 or less for the policing element of their council tax.

¹ Source: <https://www.gov.uk/government/statistics/council-taxbase-2021-in-england> - October 2021

Based on a Band D precept increase of £10.00 the resultant bandings are illustrated in the table below

Band	Ratio to Band D	21/22 Precept	22/23 Precept	Annual Increase	Weekly Increase
A	6/9 (67%)	£142.00	£148.67	£6.67	£0.13
B	7/9 (78%)	£165.67	£173.44	£7.78	£0.15
C	8/9 (89%)	£189.33	£198.22	£8.89	£0.17
D	9/9 (100%)	£213.00	£223.00	£10.00	£0.19
E	11/9 (122%)	£260.33	£272.56	£12.22	£0.24
F	13/9 (144%)	£307.67	£322.11	£14.44	£0.28
G	15/9 (167%)	£355.00	£371.67	£16.67	£0.32
H	18/9 (200%)	£426.00	£446.00	£20.00	£0.38

Overall Increase in Council Tax Income

The net effect of tax base, collection fund surplus and the rate increase set-out above results in a £6.560m increase in council tax income for 2022/23.

	£m
Precept increase	4.584
Tax base increase	1.712
Collection fund	0.264
Total Council Tax increase	6.560

Appendix C – Standstill Costs

Standstill budget pressures are those costs increases that are required to deliver the same level of service as in the current financial year. The standstill budget requirement for 2022/23 totals £8.870m and comprises the following:

a. Officer pay costs – £3.199m

- The costs of inflationary pressures on police officer pay and overtime budgets will total £1.929m against a base of £128.846m. Whilst the pay freeze announced in SR20 means there will be no full year effect of a 1 September 2021 pay award, SR21 removed the pay freeze and it has been assumed that a 2.5% award will be payable from 1 September 2022. As with previous years the recruitment of significant levels of new police officers alongside routine staff churn will allow the absorption of incremental drift within these figures.
- £1.270m reflecting the increase in employers' on-costs resulting from the Health & Social Care Act 1.25% increase in NI for police officers and associated additional Apprenticeship Levy.

b. Staff pay costs – £2.204m

The costs associated with inflationary pressures on pay and overtime budgets will total £2.404m for police staff in 2022/23 against a base of £70.330m. This amount includes:

- Funding of £1.025m based on an assumed 2.5% police staff pay award 1 September 2022 (the previous pay freeze applies to police staff and so there is no previous year full year effect to fund),
- SR20 set-out that public sector workers earning less than £24k p.a. would be awarded a £250 p.a. pay rise, the full year cost of which is estimated at £0.079m in 2022/23; and
- £0.420m required to establish base budget funding to correct the budgeted establishment to align with existing posts for police staff.
- £0.680m reflecting the increase in employers' on-costs resulting from the Health & Social Care Act 1.25% increase in NI for police staff.

d. Non-Pay inflation - £3.456m

The UK has seen a significant upturn in the rate of headline inflation over the past twelve months as the economy has ramped up with both labour shortages and supply chain difficulties impacts on costs. The December CPI figure was 5.4% and the RPI at 7.5%. General inflation in the UK is expected to increase from the current 5.4% to 7% over the last quarter of 2021/22 and the Bank of England expects the rate of inflation to fall quite quickly from the second half of 2022, as the effect of these temporary factors ends, and they expect it to keep falling in 2023. The 2022/23 budget makes an allowance for 4.0% general inflation across non-pay budgets at a cost of £1.470m, of which £0.710m will be help centrally to target areas or pressure during 2022/23.

In addition, there are a number of more significant areas of specific inflation that are anticipated in total to result in spend pressure of £0.720m; which includes £0.123m for utilities budgets, £0.091m for vehicle fuel costs (each allowed for at 12%), £0.157m for subscriptions for national policing services, £0.100m for increased costs associated with injury gratuities and pensions for police officers, £0.052m for the new Emergency Services Network and finally £0.150m on Home Office and nationally provided IT systems.

Other unavoidable non pay pressures total £1.313m and represent a range of areas the most significant of which are £0.545m Tuition Fees for DHEP PEQF student officers which are not covered by the apprentice levy, £0.172m ERSOU related pressures, £0.185m of costs associated with BCH units, £0.150m lease cost associated with the expansion of Borehamwood and Rickmansworth police stations to accommodate PUP student officers, £0.120m for an upgrade of the insurance database and ongoing legal fees, and £0.090m to meet higher SARC running costs associated with obtaining accreditation.

d. Capital financing - £0.065m

There are a range of cost pressures faced by the PCC to fund the growing capital programme, including the redevelopment of the HQ site. In particular, it is forecast that a significant increase in external borrowing will be incurred over the next four years and as a result there will be a proportional increase in the level of interest on borrowing paid, the PCC will be required to make higher levels of Minimum Revenue Provision (MRP) resulting from the funding of the capital programme through the Capital Financing Requirement (CFR), and finally in order to minimise the level of borrowing required, cash balances will be lower leading to a reduction in investment interest received.

e. Removal of Specific Grants - £0.907m

A net increase in PUP specific grant of -£0.534m consisting of funding of -£2.060m for 2022/23 less the loss of £1.526m PUP 2021/22 funding. Offsetting this is the loss of £1.441m Local Council Tax Support (The funding recognises the additional costs of providing LCTS in 2021/22 related to elevated unemployment levels because of the pandemic).

f. Reserves – (£0.496m)

Application of the final balance of Covid related funding from the government.

Appendix D - INVESTMENT

The PCC and Chief Constable have identified a number of areas where additional resourcing is required and these total £6.945m. These investment proposals have been developed against an assessment of capability and demand as set-out in the Force Management Statement, in the context of the police officer uplift programme and delivery of priorities in the Commissioner's Plan.

	2022/23 £m	Officer FTE	Staff FTE
Police Uplift	3.551	90	-
Call Handler Uplift Police Staff	0.740	-	20
South-East Allowance increase of £500	1.194	-	-
Prevention-focused investment	0.960	-	25
Technology and Investment	0.500	-	4
Total investment	6.945	90	49

a. Police Uplift Programme / Student Officers - £3.551m

In the Home Office settlement, the government confirmed continuation of the PUP of which Hertfordshire's share based upon previous allocations will be circa 122 police officers. Whilst it is anticipated that the headcount target of 122 officers will be reached by year-end, due to the recruiting profile it has been assumed the equivalent of 90 FTE will be recruited in 2022/23. It is anticipated that student officer numbers will peak circa 197 FTE over the next two years before reducing to circa 130 FTE.

b. Force Control Room (FCR) Call Handlers - £0.740m

Difficulties in posting police officers to FCR Call Handler roles has resulted in the unit carrying significant vacancies during the year. To address this, it is proposed to uplift the Police Staff establishment through investment in 20 FTE posts. This investment is funded through a corresponding reduction in the removal of vacant police officer call handler posts (included within the savings section of this report). The creation of additional police staff call handler posts within the FCR will improve recruitment prospects and ensure that there are the resources available to continue to provide a high-quality service and respond to calls from members of the public at all times.

c. Southeast Allowance Uplift - £1.194m

The proportion of officers leaving before retirement is gradually increasing with around half of all leavers now resigning as opposed to retiring. Turnover in 2021/22 has gone above 8% with a significant number of leavers having relatively few years' service (the average length of service being around 14 years). Whilst not the only factor driving resignations, the cost of living in Hertfordshire is an issue and there are several indicators of financial stress across the workforce. The constabulary can pay a location allowance (south-east allowance) of up to £3,000 per officer per annum and currently pays £2,000 per officer. This investment will allow the south-east allowance to be increased by £500 per officer to £2,500 per annum.

d. Prevention Focused Investment - £0.960m

As the constabulary develops its prevention first approach it is increasingly clear that good quality information and analysis is critical to ensuring resources are used in the most effective way possible to maximise long term prevention outcomes. This investment will allow for the creation of a team of 5 analysts to best target effective policing interventions, including towards crime hotspots, identifying emerging problems at an early stage, making use of the wider range of data available to policing and providing the insight for operational teams to take decisive action.

This investment will also allow for the creation of an additional 20 FTE PCSOs across the county with a specific focus on schools and young people. These new PCSOs will be embedded in local communities and have a particular focus on working in schools and with young people to tackle anti-social behaviour and divert children away from criminality, very much in line with our Prevention First ethos.

This growth will also further support the Constabulary commitment to reducing violence against women and girls with the creation of a dedicated fund to support our work on this with partners across the county. This fund is in addition to the £34m already spent annually by the constabulary in this key priority area, will support the strategic priority we place on this work and further demonstrates our determination to see fewer women and girls fall victim to crimes of violence.

e. Technology and Investment enabling budget - £0.500m

This budget will allow for the creation of dedicated service design capability within the ICT department which will be focused on identifying technology solutions to significantly improve efficiency and effectiveness in process heavy areas of the organisation. The budget will also provide a source of funding to support the development of new digital technologies and trialling of tools and techniques that will provide direct benefit to our communities by improving our effectiveness and efficiency, such as the ability to directly transfer video evidence to the constabulary.

Appendix E - EFFICIENCY SAVINGS

	2022/23 £m	Officer FTE	Staff FTE
FCR PO Call Handlers	-0.946	-17	-
Procurement Savings	-0.250	-	-
7 Force Programme	-0.068	-	-
NPAS Charges	-0.357	-	-
Total Efficiencies	-1.621	-17	0

The identified savings, totalling £1.621m, are focused in areas that will have the least operational impact and so the following proposals have been developed:

a. Force Control Room (FCR) Call Handlers - £0.946m

The FCR continues to carry significant vacancies in Police Officer Call Handlers. It is proposed to remove 21 FTE Police Officer roles posts and reinvest in the creation of 20 FTE police staff call handler posts as well as to enhance the OCSAR capability by 4 FTE Police Officer roles.

b. Procurement savings driven by 7 Force Procurement Function - £0.250m

Following the establishment of the 7F procurement function in October 2019 work has been undertaken by the regional strategic lead to identify the potential to generate efficiency savings through the rationalisation of the procurement pipeline by regional contract letting. The saving of £250k represents the second phase of savings.

c. 7 Force Collaboration - £0.068m

Following the decision not to pursue further areas of 7 Force collaboration and to convert the current regional change team to a network, the Constabulary will see a reduction in its contribution.

d. National Police Air Service Charge - £0.357m

Following the introduction of the direct cost charging mechanism to NPAS last year, Hertfordshire's share of Eastern Region flying hours has been reduced from 25.1% to 19.3%, giving rise to an efficiency of a £0.357m reduction to payment to NPAS in 2022/23.

Appendix F – Medium Term Financial Strategy (MTFS) 2022/23 to 2025/26

The MTFS sets out in full the spend pressures faced by the Constabulary, investment needs and its proposed savings response in the context of the Police Settlement and Precept discussion above.

Budget element	2021/22 £m	MTFS				MTFS Total £m
		2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	
Standstill costs	3.605	8.820	7.830	5.433	7.988	30.071
Core Grant	-7.351	-7.584	-2.286	-0.572	-0.728	-11.170
Tax Base & Collection Fund	1.394	-1.976	-1.431	-1.584	-1.538	-6.529
Precept increase	-6.756	-4.584	-2.324	-2.357	-2.390	-11.655
Growth	10.616	6.945	0.726	-	-	7.671
Savings	-1.508	-1.621	-2.515	-0.920	-3.332	-8.388
Budget Gap	0	0	0	0	0	0

The table above shows the medium-term financial strategy based upon the high-level spending assumptions set out below, the 27 October 2021 SR21 as well as the subsequent Police Funding Settlement announcement and the developed saving and investment proposals. Savings of £8.4m would be required to balance the budget over this period.

In developing the medium-term strategy, the following principles have been applied.

- Considering the real-term reductions in police grant set-out in 2023/24 and 2024/25 and the resultant £6.8m saving requirement in the last 3 years of the MTFS, the Commissioner will review the need to increase the council tax precept for policing by £10 per year in those years.
- That the opportunity afforded by the relatively positive settlement for 2022/23 is used to consolidate the substantial officer growth of recent years and embed the desired culture and behaviours across the constabulary. This especially important considering that by the end of 2021/22 more than 50% of all constables will have less than 3 years' service.
- That the 2022/23 settlement is used to firmly establish the prevention first approach across the constabulary and put in place the foundations for the delivery of tangible benefits going forward.

- That general reserves will only be used to support short term, one off, spending pressures maintaining a sustainable and affordable budget and maintaining overall financial resilience.
- That, subject to a suitable full business case, the redevelopment of the HQ site will progress over the next four years funded primarily through external borrowing.

SENSITIVITY/VARIANCE ANALYSIS

The main sensitivities that may affect the assumptions and the impact of a 1% variance are shown in the table below.

	1% Variance (£m) (+/-)
Police Pay	0.751
PCSO/Police Staff	0.450
Utilities	0.015
Fuel	1.147
Supplies and Services	0.245
Police Grant	1.428
Precept	0.454
Tax Base	0.981

Based on the above table the 2 main risks to the Hertfordshire are uncertainties in the funding settlement from central government and any pay award to officers and staff above the 2.5% increase assumed.

Risks not included in the table above are those associated with national projects being delayed which may have a financial implication on the Commissioner and the Chief Constable. For example, the Emergency Services Mobile Communications Programme (ESMCP). Any unplanned financial implications of national projects these will be dealt with through annual budget setting process.

Appendix G - OFFICE OF THE POLICE & CRIME COMMISSIONER (OPCC)

The PCC's overall net revenue budget for 2022/23 is £4.677m² of which £2.112m relates to the Office of the PCC, and this represents 0.86% of Hertfordshire policing's net budget. This is below Government expectations that the running costs and day to day expenditure of PCCs should be less than 1 per cent of the total cost of policing³.

	2021/22 £'000	2022/23 £'000	Change £'000
OPCC Budget	2,004	2,112	108
Victims Services	1,384	1,520	136
Criminal Justice Board	127	141	14
Road Safety Expenditure	725	725	0
PCC Grants	2,546	2,288	(258)
PCC Gross Budget	6,786	6,786	0
Road Safety Income	(725)	(725)	0
Ministry of Justice Grant	(1,384)	(1,384)	0
PCC Net Budget	4,677	4,677	0

- The OPCC budget increase of £0.108m includes £0.070m for the establishment of two analyst roles, which will give additional capability, within the OPCC, to provide insight into the rich data available from sources such as the ONS, Home Office and CIPFA.
- The remainder of the increase (£0.038m) is due to nationally determined pay award, assumed at 2.5% from September 2022, and the extra 1.25% National Insurance increase from 1 April 2022.
- The extra £0.014m for the Criminal Justice Board is the cost of increasing the secretariat role from part-time to full-time.
- The additional £0.136m for Victims Services relates to funding required to provide the Beacon Victim Care Services, as the MoJ grant funding is insufficient.

The overall increase of £0.258m has been offset by a compensatory reduction in the grants budget thereby negating any impact on the precept for 2022/23.

In addition to the office budget outlined above, the Commissioner has several funds that allow for either the commissioning of services or issuing of grants to deliver commitments set out in the latest Community Safety & Criminal Justice Plan.

² Includes £0.141m for the cost of administering the Local Criminal Justice Board and £0.151m for PCC and Deputy PCC remuneration, which is determined by the Senior Salaries Review Body (SSRB).
<https://www.gov.uk/government/organisations/review-body-on-senior-salaries>

³ <https://www.gov.uk/government/publications/staff-and-budget-for-police-and-crime-commissioners/staff-and-budget-for-police-and-crime-commissioners>

The funds available for 2022/23 total £5.854m as set out below:

Fund Name	Funding Source	2022/23 £m
Commissioner's Fund ^a	Base Budget	2.188
Commissioner's Action Fund ^b	Base Budget	0.100
Victim Support Services ^c	Ministry of Justice Grant	1.384
Road Safety Fund ^d	Road safety reserve	2.182
Grand Total		5.854

Further details on specific funds are outlined below:

a. Commissioner's Community Safety & Criminal Justice Fund

The fund will seek bids to deliver specific objectives set out in the Commissioner's Community Safety and Criminal Justice Plan, and bids that support or complement the Constabulary's transformative Prevention First agenda.

The funding criteria will be released in advance of each funding round and each round will be thematically focused on the Plan's priority areas of Building on Success, Putting Victims at the Centre, Public Focus, and Business Sense. Bids will be sought from a wide range of public sector partners, from private and voluntary sector organisations, and weight will be given to those that take a partnership approach to delivery and include an element of match funding. Whilst seeking to have a clear link between funding and fulfilment of the Plan's commitments, innovative and pilot projects, particularly in the areas of criminal justice and crime prevention, will be prioritised.

b. Commissioner's Action Fund

This is administered by the Hertfordshire Community Foundation (HCF), for a 10% fee, will be available to applicants for distribution to approved projects during the financial year. This is a well-established fund that is business-as-usual and so has been transferred to the base budget.

c. Victim Support Services

Funded by the Ministry of Justice (MoJ), this fund enables the Commissioner to determine the most appropriate allocation to deliver victim services locally, including the delivery of victim led Restorative Justice. This funding comes from the victim's

surcharge levied on offenders at Court. An announcement on the level of funding for 2022/23 is expected imminently, but to set the budget we have made a cash-flat assumption at £1.384m.

d. Road Safety Fund (RSF)

The RSF balance as of 31 March 2021 stood at £2.182m (£2.218m – 2020) and is currently funding approximately £0.480m of ongoing revenue costs each year. In addition, a further £0.600m has already been expended on projects during the year; giving a total commitment of £1.080m from prior years.

Appendix H – Revenue Budget Detail

The 2022/23 Gross budget and its prior year comparator are shown below:

Gross to Net Budget	2021/22 £m	2022/23 £m
Gross Budget	247.8	260.7
Fees & Charges	(8.2)	(7.9)
Other Grants	(8.8)	(6.8)
Local Authority PCSO funding	(0.8)	(0.7)
Reserves	(0.0)	(1.0)
Net Budget	230.1	244.2

Based on the preceding information the resultant draft budget (gross) at a portfolio level is set out below:

	Gross Budget 2021/22 £m	Gross Budget 2022/23 £m	Change £m	Change %
Local Policing	127.307	135.418	8.111	6.4%
Protective Services	39.880	41.833	1.953	4.9%
Operational Support	29.013	29.349	0.336	1.2%
Organisational Support	33.735	35.605	1.870	5.5%
Corporate Budgets	10.657	11.602	0.945	8.9%
PCC	6.786	6.786	0.000	0.0%
Total	247.378	260.593	13.215	5.3%

Gross Budget Detail

	Gross Budget 2021/22 £m	Standstill Spend Pressures & Technical Adjustments £m	Savings £m	Investment & Growth £m	DRAFT Gross Budget 2022/23 £m	Movement £m	Movement %
Local Policing							
Local Policing Command	88.194	3.037	-	1.329	92.560	4.366	5.0%
Crime Reduction and Community Safety	3.315	0.181	-	0.016	3.512	0.197	5.9%
Serious and Organised Crime Command	8.892	0.598	-	0.049	9.539	0.647	7.3%
Safeguarding Command	15.304	0.410	-	0.101	15.815	0.511	3.3%
Sexual Assault Referral Centre	0.952	0.109	-	-	1.061	0.109	11.4%
Police Uplift Programme	6.773	-1.460	-	3.380	8.693	1.920	28.3%
Prevention First Command	3.900	0.104	-	0.234	4.238	0.338	8.7%
Sub-total Local Policing	127.330	2.979	-	5.109	135.418	8.088	6.4%
Protective Services							
Armed Policing Unit (BCH)	4.070	0.059	-	0.031	4.160	0.090	2.2%
Dog Unit (BCH)	1.285	0.019	-	0.009	1.313	0.028	2.2%
Major Crime Unit (BCH)	3.773	-0.040	-	0.022	3.755	-0.018	-0.5%
Roads Policing Unit (BCH)	5.554	0.043	-	0.038	5.635	0.081	1.5%
Scientific Services Unit (BCH)	5.106	0.108	-	0.005	5.219	0.113	2.2%
Civil Contingencies Unit (BCH)	0.178	0.004	-	-	0.182	0.004	2.2%
Operational Support Unit (BCH)	0.523	-0.017	-	0.004	0.510	-0.013	-2.5%
Professional Standards Department (BCH)	2.093	0.226	-	0.008	2.327	0.234	11.2%
Protective Services Command Unit (BCH)	0.470	0.009	-	0.003	0.482	0.012	2.6%
Air Support Unit (NPAS)	1.024	-0.002	-0.357	-	0.665	-0.359	-35.1%
Eastern Region Specialist Operations Unit (Regional)	4.936	-0.089	-	0.254	5.101	0.165	3.3%
Sub-total Protective Services	29.012	0.320	-0.357	0.374	29.349	0.337	1.2%

Operational Support							
Cameras, Tickets and Collisions (BCH)	2.526	-	-	-	2.526	-	0.0%
Firearms and Explosives Licencing (BCH)	0.323	0.006	-	-	0.329	0.006	1.9%
Criminal Justice Unit (BCH)	1.140	-0.007	-	-	1.133	-0.007	-0.6%
Custody and Criminal Justice SMT	0.474	0.018	-	0.004	0.496	0.022	4.6%
ICT (BCH)	11.225	0.834	-	-	12.059	0.834	7.4%
Digital Innovation (BCH)	0.595	0.008	-	0.004	0.607	0.012	2.0%
Force Communications Room	16.557	0.971	-0.946	0.774	17.356	0.799	4.8%
Custody	5.447	0.228	-	0.024	5.699	0.252	4.6%
Criminal Justice Unit	1.592	0.036	-	-	1.628	0.036	2.3%
Sub-total Operational Support	39.879	2.094	-0.946	0.806	41.833	1.954	4.9%
Organisational Support							
Information Management Department (BCH)	2.218	0.109	-	-	2.327	0.109	4.9%
Delivery Management Office (BCH)	0.309	-0.007	-	-	0.302	-0.007	-2.3%
Human Resources (BCH)	7.707	0.994	-	0.019	8.720	1.013	13.1%
Athena Team	0.438	0.008	-	0.002	0.448	0.010	2.3%
Uniform Stores (BCH)	0.137	0.008	-	-	0.145	0.008	5.8%
Corporate Communications	0.960	0.056	-	-	1.016	0.056	5.8%
Estates And Facilities	9.261	0.465	-	-	9.726	0.465	5.0%
Finance Department	1.527	0.079	-	-	1.606	0.079	5.2%
Legal Services	0.792	0.178	-	-	0.970	0.178	22.5%
Organisational Learning	7.176	0.117	-	0.020	7.313	0.137	1.9%
Design And Print Services	0.382	0.010	-	-	0.392	0.010	2.6%
Fleet	1.669	-0.141	-	-	1.528	-0.141	-8.4%
Police Uplift Programme Board	0.068	-0.068	-	-	-	-0.068	-100.0%
Uniforms	0.719	0.014	-	-	0.733	0.014	1.9%
Commercial Services	0.371	0.008	-	-	0.379	0.008	2.2%
Sub-total Organisational Support	33.734	1.830	-	0.041	35.605	1.871	5.5%

Corporate Budgets							
Capital Financing	1.919	0.065	-	-	1.984	0.065	3.4%
Force Account	5.249	-0.519	-0.318	0.613	6.063	0.814	15.5%
Insurance	1.398	0.028	-	-	1.426	0.028	2.0%
Major Incidents	0.100	0.001	-	-	0.101	0.001	1.0%
Police Pensions	0.988	0.120	-	-	1.108	0.120	12.1%
Secondments Out of Force	0.526	0.013	-	-	0.539	0.013	2.5%
Staff Associations	0.457	0.011	-	0.002	0.470	0.013	2.8%
Sub-total Corporate Budgets	10.637	0.767	-0.318	0.615	11.701	1.064	10.0%
PCC							
PCC Commissioning	4.656	0.018	-	-	4.674	0.018	0.4%
Office of the PCC	2.130	-0.018	-	-	2.112	-0.018	-0.8%
Sub-total PCC	6.786	0.000	-	-	6.786	0.000	0.0%
GRAND TOTAL	247.378	7.990	-1.621	6.945	260.692	13.314	5.4%

Movements of 10% or more and greater than £100k.

1 Sexual Assault Referral Centre	Movement £109k (11.4%)	Appendix C Section C	£0.090m to meet higher running costs associated with obtaining accreditation.
2 Police Uplift Programme	Movement £1,920k (28.3%)	Appendix D Section A	Year 3 Police Uplift Programme investment net of allocation of posts to BAU.
3 BCH Professional Standards Department	Movement £234k (11.2%)	Appendix C Section C	Increase non pay costs including vetting and legal fees.
4 NPAS Air Support Unit	Movement -£359k (-35.1%)	Appendix E Section D	Saving resulting from decreased flying hours.
5 BCH Human Resources	Movement £1,031k (13.1%)	Appendix C Section C	£545k Student Tuition Fees for PEQF DHEP police officer students.

6 Legal Services	Movement £178k (22.5%)	Appendix C Section C	£120k insurance database & legal fees.
7 Force Account	Movement £814k (15.5%)	Appendix C Section C	£0.637k non-pay inflation provision held centrally.
8 Police Pensions	Movement £120k (12.1%)	Appendix C Section C	£0.100m for increased costs associated with injury gratuities and pensions for police officers.

Appendix I - Capital Programme 2022/23 to 2025/26

The draft medium term capital programme for the period and associated financing is detailed in the table below.

Capital Programme	2021/22 Budget £m	2022/23 £m	MTFS				MTFS Total £m
			2023/24 £m	2024/25 £m	2025/26 £m		
HQ redevelopment		3.865	13.172	12.467	42.697	0.239	68.575
Watford Police Station		1.650	1.000	-	-	-	1.000
Cheshunt Blue Light Hub		-	-	-	3.000	3.000	6.000
Firing range		-	1.000	3.000	1.500	-	5.500
Letchworth Redevelopment		-	-	-	-	2.000	2.000
Joint Emergency Service Academy		0.050	-	-	6.000	-	6.000
Sexual Assault Referral Centre (SARC)		-	-	0.150	-	-	0.150
Estates minor works		0.840	0.250	0.250	0.250	0.250	1.000
Other estates		-	0.550	0.550	0.550	0.550	2.200
ICT		3.269	3.695	3.834	2.781	2.781	13.091
Fleet		1.799	1.829	1.860	1.890	1.928	7.507
Emergency Services Network (ESN)		0.405	0.060	0.662	2.906	2.623	6.251
Technical and Specialist		0.974	0.359	0.359	0.359	0.359	1.436
Uplift (Estates, fleet, ICT)		0.300	0.300	-	-	-	0.300
Total Capital		13.152	22.215	23.132	61.933	13.730	121.010

Which is to be financed by:

Financing	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Capital Receipts	0.897	6.715	3.142	0.143	10.897
Borrowing (CFR)	21.318	16.417	58.791	13.587	110.113
Total Financing	22.215	23.132	61.933	13.730	121.010

This draft programme assumes:

- The completion of the redevelopment of HQ by 2025/26 at an overall project capital cost of £73.2m (balance sits in earlier years).
- Capitalisation of interest costs for the HQ redevelopment project circa £1m which are included within the costs above.

- Work to develop and occupy the new Watford police station in George Street will be complete in 2022/23.
- Development of a Blue Light Hub at Cheshunt in 2024/25 to 2025/26 at a cost of £6.0m.
- Construction of the preferred option replacement firing range at a cost of £5.5m completed by 2024/25.
- Redevelopment of the North Herts estate based upon enhancement of Letchworth Police Station at a cost of circa £2m in 2025/26.
- Investment of £0.150m in the SARC in 2023/24 on adaptation work to ensure compliance with government accreditation requirements.
- Investment totalling £400k p.a. included within Other Estates towards meeting the government mandate to reduce direct emissions by 50% (compared to a 2017 baseline) by 2032 and costs associated with extension of the Smart/Wellbeing work at Hatfield & Stevenage across the estate.
- Broadly neutral cost pressures from the electrification of the constabulary's fleet. Work has been commissioned of CTC in this area to understand the cost implication more fully for the full adoption of electric vehicles.
- The Home Office settlement set-out in SR21 includes funding towards Emergency Services Network (ESN) costs, the Police Settlement is awaited to understand Hertfordshire's share of this.
- Tech & Specialist - annual programme for both Herts only and JPS units is provided for the planned replacement of specialist equipment, and to meet emerging equipment needs in areas such as ANPR, covert cameras, trap cars etc.

Areas excluded from the draft programme include:

- Potential developments at Gilston and Hemel Garden Communities due to uncertainty to the likelihood and timing of any requirement. It is anticipated developments in these areas will also attract Section 106 funding.
- Contribution towards a BCH facility at Monkswood for which the current assumption is that expenditure will be chargeable to the revenue budget.
- Custody Suites - No funding has been allocated for additional custody provision in line with findings of the recent review.

It is anticipated that the above draft capital programme will enable the generation of capital receipts as set-out in the following table:

Capital Receipts	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Opening Balance	-0.897	-	-3.285	-0.143
New Capital Receipts	-	-10.000	-	-
Applied to fund capital programme	0.897	6.715	3.142	0.143
Total Financing	0	-3.285	-0.143	0

The above assumes:

- At least £10.0m of net capital receipt is received from disposal of surplus assets in 2023/24.
- That capital receipts are applied as they become available to fund capital expenditure on shorter-life non-current assets to minimise the impact of minimum revenue provision of the revenue budget.

BORROWING REQUIREMENT

The draft capital programme set out above is primarily funded through the capital financing requirement (CFR). The CFR represents the level of capital investment that is not financed by grant, capital receipts or revenue contribution and which therefore needs to be financed either by external borrowing or internal borrowing using cash balances. The following table sets-out the anticipated level of CFR over the next 10 years.

Capital Financing Requirement (CFR)	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Opening Balance	-46.948	-67.185	-81.210	-137.574
New CFR	-21.318	-16.417	-58.791	-13.587
Minimum Revenue Provision Made (MRP) reduces CFR	1.081	2.392	2.426	3.939
Total Financing	-67.185	-81.210	-137.575	-147.222

The level of CFR is used to control the level of external debt that can be incurred since the level of borrowing cannot, other than in the short term, exceed the CFR. It is anticipated the following levels of external borrowing will be required to main a minimum working cash balance of £5m at the end of each financial year.

It should be noted that borrowing is only incurred to ensure liquidity and as such is not matched against individual assets.

Borrowing	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Opening Balance	-26.000	-47.000	-58.000	-118.000
New Debt	-21.000	-11.000	-60.000	-10.000
Total Financing	-47.000	-58.000	-118.000	-128.000

The table shows that after 2025/26 it is not anticipated further borrowing will be required as the depletion of cash balances though the capital programme will be balanced against cash retained through MRP.

CAPITAL FINANCING

The following table sets-out the capital financing budgets resulting from the draft capital programme, capital receipt assumptions and borrowing forecasts set-out above. The incremental increase in these costs is included within the standstill pressures used to calculate the budget gap with the MTFs.

Capital Financing Budgets	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Minimum Revenue Provision (MRP)	1.081	2.392	2.426	3.939
Interest Paid	1.003	1.188	1.461	2.732
Return on Investments	-0.100	-0.100	-0.100	-0.100
Total Financing	1.984	3.480	3.787	6.571
% of Net Revenue Expenditure	0.8%	1.4%	1.5%	2.5%

Average police force capital financing costs across England and Wales at the end of 2020/21 stood at 3.3% of NRE.

A flat rate assumption of £100k p.a. return on investment has been included above in anticipation of liquidating the current £2.5m held in the CCLA.

The above levels of MRP are based upon the annuity method whereby MRP is calculated to reflecting the reducing value of money over time by discounting at a suitable rate. The rate adopted is the current PWLB fixed lending rate available to the PCC. The annuity method essentially keeps MRP flat in real terms (but increasing in

cash terms) over the life of the asset whereas the straight-line method keeps MRP flat in cash terms (but decreasing in real terms).

Appendix J - ADEQUACY OF RESERVES

The Medium-Term Financial Strategy is based upon maintaining the current the level of reserves over the medium-term period to ensure a prudent minimum level is retained to deal with unexpected events. It must be recognised however that as a complex £244m+ organisation some reserves will always need to be retained to address business issues and risks, including major incidents, which may require significant resources for a prolonged period.

General Reserve

The General Reserve is a statutory contingency reserve to fund unplanned and emergency expenditure, for example to meet exceptional or extraordinary policing operations and major issues Reserves are maintained by the Police and Crime Commissioner based on the following principles:

- unforeseen emergencies, such as a terrorist incident or major investigation,
- changes in the demand for policing,
- managing the timing of making savings,
- costs of national programmes,
- funding the first 1% of costs for major events in-line with Home Office grant rules; and
- uneven cashflows.

The Chief Financial Officer (CFO) is required under Section 25 of the Local Government Act 2003, to review and report on the adequacy of reserves as part of budget-setting process. In setting the 2022/23 budget the PCC's level of general reserves was set at £8.000m (or 3.3% of the £244m net budget). It should be noted that this reserve level is still significantly below the 5% (£12.18m⁴) level that requires justification to be provided to the Home Office.

To assess the adequacy of unallocated general reserves (otherwise known as general balances) during the budget setting process the advice of the two chief finance officers, should take account of the strategic, operational and financial risks facing the organisation: both internal and external.

⁴ Based on 2021/22 net revenue budget of £229.9m

The table below examines how Hertfordshire currently complies with the 7 key CIPFA principles to assess the adequacy of reserves.

Budget assumptions	Current situation
<p>The treatment of inflation and interest rates</p>	<p>Hertfordshire makes full and appropriate provision for pay and price rises, as appropriate. Pay inflation is determined by the Police Remuneration Review Body (PRRB) with affordability being a key consideration in the recommendation to Government.</p> <p>An informed assessment is made of interest rate movements using external sources such as Bank of England, Office of National Statistics and Office for Budget Responsibility.</p> <p>All individual expenditure and income heads in the revenue budget are prepared and published at estimated outturn prices.</p>
<p>Estimates of the level and timing of capital receipts</p>	<p>We make a judicious assumption of future capital receipts. Currently there are £10m of planned capital receipts over the medium-term.</p>
<p>The treatment of demand led pressures</p>	<p>The Constabulary has been able to accommodate the additional costs arising from the various major incidents without asking the PCC for additional reserve funding.</p> <p>The Constabulary has identified the need for £8.7m of cash savings which will be removed from the budget over the next four years (2022/23 to 2025/26).</p> <p>Some government grants are announced annually in advance and are cash limited. Any new policing pressures arising during the year</p>

	<p>will have to be funded from the organisation's own resources.</p> <p>The Commissioner has created several earmarked revenue reserves to help finance potential specific, ad-hoc expenditure. Appropriations are made to and from these reserves on an annual basis, as required.</p> <p>Finally, general balances are used as a last resort to manage extraordinary unforeseen spending requirements.</p>
<p>The treatment of planned efficiency savings/productivity gains</p>	<p>The Constabulary has consistently achieved its annual efficiency/savings target.</p> <p>All savings are assessed in terms of deliverability.</p> <p>The medium-term plan assumes cash savings of circa. £8.4m being required over the next four years.</p>
<p>The financial risks inherent in any significant new funding partnerships, collaboration, major outsourcing arrangements, or major capital developments</p>	<p>The financial consequences of working collaboratively, outsourcing arrangements or capital investment are incorporated as part of the medium-term planning process. Where relevant and quantifiable, any additional costs are incorporated in the annual revenue budget and/or capital programme.</p> <p>There is clearly a risk that local authority partners will look to withdraw funding, for example for match funded PCSOs or joint estates initiatives, as priorities change, or their own budgets are squeezed. Also, the continued financial viability of private sector service providers will be exposed to increased</p>

	<p>risks from inflationary and supply-chain pressures.</p>
<p>The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions</p>	<p>Hertfordshire has created several earmarked revenue reserves and provisions to meet specific expenditure items.</p> <p>Hertfordshire has started to maintain an insurance provision; the adequacy of which is determined annually by a firm of qualified insurance actuaries.</p> <p>The Commissioner received several Covid-19 specific grants to lessen the financial impact of the pandemic.</p> <p>The access criteria for special grants state that PCCs may be required to fund up to 1% of their net budget requirement themselves before Government considers grant aid. This applies on an annual basis. Previously Hertfordshire has successfully applied for and received grant monies for Operation Isobar; the policing of the NATO summit in December 2019.</p> <p>As part of the year-end audit process, we stress-test our balance sheet i.e. reserves, by varying a number of key parameters, to demonstrate to the external auditors that the organisations' ability to continue as a going concern.</p>
<p>The general financial climate to which the authority is subject.</p>	<p>On 27 October 2021 the Chancellor announced the results of his three-year Spending Review for 2022/23 onwards. This has provided information on the levels of grant and precept flexibility over the period, however until the</p>

annual settlements are announced around December uncertainty remains.

The Home Office has commenced the Police Funding Formula Review and the impact of Hertfordshire is unknown and the timing of the outcome is yet to be confirmed.

The combination of Brexit and the Covid-19 pandemic has placed the UK in an unprecedented macro-economic situation, with government borrowing at an all-time high at around 96.1% of gross domestic product (GDP) in November 2021; the highest ratio since March 1963 when it was 98.3%.

General inflation in the UK is expected to increase from the current 5.4% to 7% over the last quarter of 2021/22 and the Bank of England expects the rate of inflation to fall quite quickly from the second half of 2022, as the effect of these temporary factors ends, and they expect it to keep falling in 2023.

Base rate is currently 0.25% but is expected to increase as the Bank of England will need to raise interest rates further in the next few years to make sure the rate of inflation comes back down to the Government target of 2%; but any increase is likely to be modest.

The medium-term financial plan reflects our local 'best estimate' of future inflation rates and increases in government grants and contributions.

The table below details the levels of reserves held by the Commissioner as of April 2021 onwards.

	April 2021 £m	April 2022 £m	Planned Use 2022/23 £m	April 2023 £m	April 2024 £m
General Reserve	7.715	8.000	-	8.000	8.000
Base Budget Support Reserve	11.196	12.524	-	12.524	12.524
Road Safety Fund	2.182	1.952	-0.540	1.412	0.872
Unconditional Funding Reserve	0.226	0.226	-0.226	-	-
Sexual Assault Referral	0.674	0.674	-	0.674	0.674
Covid Related Funding	1.132	0.496	-0.496	-	-
Total	23.125	23.872	-1.262	22.610	21.198

The increase in the level of Base Budget Support Reserve to £12.524m reflects the Q2 forecast outturn position of a -£2.0m underspend for 2021/22.

The proposed use of reserves in 2022/23 is:

Covid Funding £0.496m – application of the final balance of Covid related funding from the government.

Road Safety Funding £0.540m – draw on accumulate balance to fund OPCC spend plans in 2022/23.

Unconditional Funding £0.226m – applied to relevant expenditure in-year.

Capital reserves

There are also accumulated capital grants and reserves totalling £5.260m which will be fully utilised by the end of 2021/22.

Appendix K – ROBUSTNESS OF ESTIMATES

Under Section 25 of the Local Government Act 2003 the Chief Financial Officer of the Police and Crime Commissioner is required to report on the robustness of the estimates included in the proposals above.

The estimates included within this report have been compiled by qualified financial staff within the Constabulary, in consultation with budget managers, the Chief Officer Team in both the Constabulary and OPCC and the Strategic Executive Board and have been overseen by both the Chief Finance Officer and Director of Resources.

The preparatory work on the 2022/23 budget and resultant medium-term financial strategy started in September 2021 and has since been informed by the Comprehensive Spending Review (CSR) on 27 October 2021 and the release of the Provisional Police Grant settlement on 16 December 2021, which are detailed in this report.

Prior to these announcements scenario analysis was undertaken to prepare for various budget strategies informed initially by our best assumptions around the grant levels, taxbase changes and inflationary pressures. The Constabulary and Commissioner's office have worked closely together, and both have provided input, through periodic meetings, which have fed into both the revised budget preparation and the medium-term plan. This is achieved through regular dialogue between the Chief Finance Officers and, more formally, via reports to the Strategic Executive Board.

The biggest area of uncertainty is around the future cost pressures from inflation and pay increases; especially with CPI currently at 5.4% (December 2021) and expected to increase to 7% over the Spring of 2022. With the level of additional core grant reducing over the CSR period, any pay costs, recommended by the Police Remuneration Review Body (PRRB) and subsequently accepted by Government, which are above those factored into the medium-term plan, will have to be funded through either council tax increases and/or additional cost savings.