



Meeting	Police & Crime Panel (PCP)
Date	6 February 2025
Title	Precept proposal for 2025/26

THE FOLLOWING ARE EXERTS FROM THE ABOVE MEETING SHARED WITH IVY ROCK FOR PURPOSES OF PUTTING TOGETHER A MICROSITE FOR A RECRUITMENT CAMPAIGN FOCUSING ON 4 SENIOR FINANCE ROLES

THE REPORT AND EXERTS BELOW ARE PUBLICLY AVAILABLE INFORMATION

Executive Summary

This report outlines the budget and financial impact of the 2025/26 precept option on which the Police and Crime Commissioner (PCC) has consulted, namely, to increase council tax by £14.00 per annum at Band D (5.58%)¹. The table below shows the calculation for the council tax requirement for 2025/26, in accordance with Section 42A of the Local Government Finance Act 1992.

	£m
Net Budget 2024/25	267.376
Standstill costs	17.975
Savings	-7.250
Investment	1.829
Net Budget 2025/26	279.930
Less Home Office Settlement Grants	-150.072
Less Additional Core Grant	-5.173
Less Collection Fund (surplus)/deficit	-0.269
Council Tax Precept Requirement for 2025/26	124.416
Estimated number of band D properties (No.)	469,350
2024/25 Band D Precept requirement £ p.a.	265.00
Current Band D Precept (2023/24) £ per annum	251.00
Increase required £ per annum	14.00
Increase required % per annum	5.58%

¹ An increase over £14.00 would require a local referendum.

1. Commissioner's summary

As the new Police & Crime Commissioner, one of the key areas of work for my first year has been to understand and review the operation of the Constabulary and wider crime prevention and community safety interventions and partnerships. Scrutinising the budget and financial position has been an important part of this work.

My overriding priority is to keep the people of Hertfordshire safe and ensure the county has effective and responsive policing. I have worked closely with the Chief Constable to ensure this budget is able to support the Constabulary in improving performance following the HMICFRS inspection, addressing the priorities I am setting out in the Police & Crime Plan on behalf of the public and enabling the Chief Constable to deliver an excellent service to the public.

The public's top priority in the survey and consultation I carried out in the summer for the Police & Crime Plan was improved police visibility and tackling anti-social behaviour. This budget helps the Constabulary respond to that by:

- Permanently increasing the police officer baseline to 2,405 officers, an increase of twelve officers from the previous baseline
- Putting more resources into neighbourhood policing, with expected growth in neighbourhood police officers and PCSOs, with the precise mix still to be agreed with the Home Office

Just over half (56%) of police funding in Hertfordshire comes from Government grant with the remainder (44%) coming from the policing precept from the council tax. This year, the Government grant settlement assumes that Police & Crime Commissioners will raise the precept by £14 per year (27p per week) for a Band D household.

This would be an increase of 5.6% and will raise an additional £7.38m which, alongside Government grant, means the gross budget will rise to £313.2m.

Unfortunately, the cost pressures facing policing are increasing at a faster rate than the increases in funding. My predecessor had to address standstill costs of £21m for the current financial year's budget and I need to address standstill costs of £18m for 2025/26.

In common with many public services, the costs facing policing are increasing faster than the resources available to meet them. This year, the well-deserved pay rise for police officers and staff has not been fully funded by the Government. Despite Ministers promising

to fully compensate policing for the increases in employers national insurance contributions, this has not happened and the NIC grant falls short of the Constabulary's increased costs. And in common with other private and public sector organisations, non-pay costs such as premises, utilities and business rates continue to rise significantly.

After the grant settlement (including the Government's assumption about precept increases), savings of £7.25m are needed to balance the budget.

The Chief Constable and I have worked to make savings which have the minimal possible impact on the service the public receive. These include:

- Savings from non-pay, BCH and OPCC budgets
- Phasing out targeted variable payments, where the Constabulary is now an outlier
- Removing police staff vacancies in non-operational roles
- Making a technical adjustment to PCSO budgets to set the baseline at the Government's neighbourhood policing guarantee. There will be no reduction in PCSO numbers in neighbourhood roles and an expectation that PCSO numbers will increase in 2025/26 once the mix of the neighbourhood policing uplift has been agreed with the Home Office
- Reviewing the workforce mix in areas where it is appropriate for police officers to perform staff roles (such as investigating crime)

To improve financial resilience, the budget partially reverses previous reductions in overtime budgets which have not been achievable and which have been a cause of overspends in the previous and current financial years. Overtime is an important tool for the Constabulary to manage day to day demand and enable police officers and staff to keep the public safe.

As the report sets out, the Chief Constable and I have not been able to go as far as we would have liked to invest in technology to improve efficiency given the financial constraints. Over the coming year, we will work to understand the long-term funding position once the Spending Review is published and create the 'invest to save' capacity needed in future years.

I have also commissioned the OPCC Interim Chief Executive to carry out a review of the Office's structure and operation which will report to me later this year.

Financial outlook

Hertfordshire has the eighth lowest police funding per 1,000 population, according to HMICFRS data for 2023/24.

The county also has the fifth lowest policing precept in England & Wales, being around £30 a year lower than the average (Band D). While historic decisions dating back to the old Police Authority to keep the precept lower have saved Hertfordshire taxpayers money, they also mean that I am able to allocate around £14 million a year less to local policing than would be the case if the precept was the national average.

In these financial papers, we are also publishing some analysis of the long-term financial trajectory of the Constabulary. Financial resilience for Hertfordshire ranks 7th lowest of 43 police forces according to CIPFA analysis in March 2024. On the current trajectory, total reserves will be depleted by September 2029. This cannot be allowed to happen and will require corrective action over the life of the Medium-Term Financial Plan.

2. A view from the Chief Constable

Having started as the new Chief Constable on the 1st January 2025, I am working at pace, with my leadership team, to develop a clear mission statement for the Constabulary. This will be based on four key pillars:

- 1) Keeping people safe
- 2) Catching criminals
- 3) Maintaining high levels of community confidence
- 4) Training, trusting, and empowering my teams to do the right thing

I am confident that the Constabulary, made up of 4,200 amazing officers, staff and volunteers, will do everything it can to deliver great policing for Hertfordshire.

Last autumn, His Majesty's Inspectorate of Constabulary reported on our performance. I am pleased to say that, since then, significant improvements have been made. Crime recording is much improved, and there is a clear plan to ensure we investigate crime, support victims and target offenders.

Disappointingly, the 2025-26 budget settlement does not meet all the increasing costs faced by the Constabulary. Police officer numbers will be maintained at an all-time high of 2,405, but this means we will need to find £7.2m of savings next year. With careful management, intelligent spending, effective partnership working, smart use of technology

and hard work, the Constabulary will balance the books and provide the excellent services the public of Hertfordshire deserve.

3. The Funding Context

The government has increased the core grant for 2025/26, but the increase is not enough to cover the cost of pressures such as pay-rises, increased business rates and utilities costs. Section 7 sets out the standstill pressures the Constabulary is facing for 2025/26.

The government also set out changes to employer National Insurance contributions (ERNIC) at the last budget and stated that public bodies will be fully compensated for the additional costs incurred. HM Treasury has however limited the additional funding to base salary costs only. The increase in ERNIC due on overtime, location allowances, shift allowances etc. is therefore, all unfunded.

The referendum threshold for council tax increases for 2025/26 is set at £14 for a Band D equivalent property. Whilst this represents an increase compared to 2024, it is a lower threshold in both absolute cash and real percentage terms than the 2023 increase of £15.

Taking all of this into account and assuming the PCC uses the full precept flexibility, the growth in the constabulary's sources of funding does not match the growth in its cost base. The constabulary therefore will have to find savings of £7.3m in 2025/26.

The choices available to the constabulary to close the funding gap are limited. The ring-fenced funding arrangements for the Uplift programme effectively set a minimum number of police officer numbers the constabulary must maintain. The Neighbourhood Policing Guarantee similarly establishes the same for Police Community Support Officers. Less than 50% of the constabulary budget is therefore in scope for savings, leaving reductions to non-pay budgets and police staff posts as the main options.

The constabulary is committed to delivering sustainable strategic change, but this budget is proposed in the context of a single year Spending Review (SR). Without the clarity that a multi-year SR brings, these savings proposals are necessarily tactical. Government has indicated that it will publish a multi-year SR in late spring 2025, in anticipation of this the constabulary has commenced a programme of strategic reviews that will coincide with the publication of the SR. The outcomes of the reviews will allow the constabulary to make longer term strategic and sustainable decisions about the use of resources in pursuit of its core objectives.

4. Medium-term Financial Strategy (MTFS)

The medium-term financial strategy is based on several key assumptions covering likely funding levels, inflationary increases, and expenditure items:

- a) That there is no change in the Police Funding formula over the medium term.
- b) 2.5% per annum pay award is applied to all officers and police staff. Payable from 1 September each year.
- c) Annual increment growth for both police officers and police staff will be matched by the drop in increments through turnover.
- d) Non-Pay inflation applied to other areas of expenditure 1.6% in 2025/26 and will rise to 2.0% by 2028/29.
- e) The rates of employer's national insurance employer contributions remain the same as those for 2025/26 levels across the MTFS. i.e. will continue to reflect the increase in rate and decrease in threshold introduced from April 2025 in the Autumn budget.
- f) Employer superannuation contributions remain the same for both the Police Pension Scheme and the LGPS as in 2024/25 across the MTFS.
- g) An increase in the Council Tax Base of 0.50% in 2025/26, 0.60% in 2026/27 and 0.7% per annum thereafter.
- h) That the Council Tax collection fund will be in surplus by -£0.269m in 2025/26 and that the surplus will increase marginally each year thereafter.
- i) That the precept will increase from 2025/26 by £13 for each year of the MTFS.

The table below summaries the assumptions listed above.

Table 13

Budget element	2025/26	2026/27	2027/28	2028/29
Pay Awards %	2.50	2.50	2.50	2.50
Non-Pay Inflation %	1.60	1.70	2.00	2.00
Core Grant %	3.45	1.70	2.00	2.00
Taxbase %	0.51	0.60	0.70	0.70
Collection Fund Surplus £'000	-0.269	-0.287	-0.337	-0.387
Min Precept increase £	14.00	13.00	13.00	13.00

The medium-term financial strategy reflecting the assumptions outlined above is shown in the table below.

Table 16

Budget Element	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Standstill costs	17.975	7.710	11.743	8.928	46.356
Core Grant	-5.173	-2.639	-3.158	-3.221	-14.191
Taxbase & Collection Fund	-0.740	-0.796	-0.969	-1.019	-3.524
Precept increase	-6.573	-6.140	-6.183	-6.226	-25.122
Investment	1.829	2.779	2.716	0.900	8.224
Contribution to Reserves	-	-	-	2.800	2.800
Budget Gap	-7.250	-0.914	-4.149	-2.162	-14.475

The table above shows the medium-term financial strategy based upon high level spending and income assumptions and the Autumn Budget statement. The plan sets out a budget gap of £7.250m in 2025/26 and £14.475m by 2028/29.

Based on the above table the main risks to the force are uncertainties in the funding settlement from central government, the PCC precept decision, 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 PCC 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.

5. Medium-term savings proposals

The table below sets out the proposed approach to closing the incremental budget gap over the medium term.

Table 18

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Budget Gap (post investment)	-7.250	-0.914	-4.149	-2.162	-14.475
TVP Reductions	-0.944	-0.642	-	-	-1.586
Departmental Efficiencies	-0.939	-	-	-	-0.939
Beds Cambs Herts Collaborated	-1.486	-0.056	-0.850	-0.443	-2.835
ERSOU Proportionate Savings	-0.156	-0.006	-0.089	-0.047	-0.298
PCC Proportionate Savings	-0.114	-0.004	-0.066	-0.034	-0.218

PCSO Reduction to Baseline	-0.720	-	-	-	-0.720
10% Reduction in Fleet	-	-0.206	-0.206	-	-0.412
5% Police Staff Support Department Vacancies	-0.640	-	-	-	-0.640
Workforce Mix (certain functions only)	-1.496	-	-1.300	-	-2.796
30% Reduction in Estate (Rates, Utilities, Water etc.)	-	-	-1.638	-1.638	-3.276
Additional 1% Vacancy Factor	-0.755	-	-	-	-0.755
Net Annual Budget Gap	0	0	0	0	
Cumulative Budget Gap	0	0	0	0	

6. Capital Programme

The draft 10-year capital programme for the period and associated financing is detailed in the table below.

Table 19

Capital Programme*	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m	2031/32 £m	2032/33 £m	2033/34 £m	2034/35 £m	Total £m
HQ Redevelopment	33.359	9.927	-	-	-	-	-	-	-	-	43.286
Building Improvement & Sustainability	0.750	0.450	0.450	0.450	0.450	0.450	0.450	0.450	0.450	0.450	4.800
ICT	2.781	2.781	2.781	2.781	2.781	2.781	2.781	2.781	2.781	2.781	27.810
Fleet	2.717	2.780	2.836	2.893	2.951	3.010	3.070	3.131	3.194	3.258	29.840
ESN	-	2.306	2.623	0.935	-	-	-	-	-	-	5.864
ANPR	0.260	0.260	0.060	0.060	0.060	0.060	0.060	0.060	0.060	0.060	1.000
BCH Unit Capital Programme	0.135	0.135	0.135	0.135	0.135	0.135	0.135	0.135	0.135	0.135	1.350
Taser	0.205	0.175	0.175	0.175	0.175	0.175	0.175	0.175	0.175	0.175	1.780
Total Capital	40.207	18.814	9.060	7.429	6.552	6.611	6.671	6.732	6.795	6.859	115.730

*Figures for the capital programme and associated capital financing are based on Q3 monitor and so may be subject to change from movements in slippage from 2024/25.

This draft programme also includes the following one-off and cyclical projects:

- i. HQ Redevelopment – the budget includes £0.635m forecast slippage from 2024/25 and capitalisation of interest charges totalling £2.677m.
- ii. Building Improvement & Sustainability spend of £0.750m in 2025/26 onwards including investment towards meeting the government mandate to reduce direct emissions by 50% (compared to a 2017 baseline) by 2032.
- iii. Funding totally £2.781m for investment in ICT programmes including the replacement of end-of-life hardware and investment in new systems.
- iv. The Constabulary operates a sizeable fleet of operational vehicles which, due to high levels of use, are replaced on a periodic basis. £2.717m will be required for the purchase of replacement vehicles in 2025/26. At this stage plans to reduce the fleet by 10% have not been included in the capital programme nor has the cost of electrification of the fleet.

