



Police & Crime Commissioner FOR HERTFORDSHIRE

Meeting	Police & Crime Panel (PCP)
Date	5 February 2026
Title	Precept proposal for 2026/27
Submitted By	The Police and Crime Commissioner for Hertfordshire (PCC)
Purpose of Report	To notify the Hertfordshire PCP of the PCC's proposed precept for 2026/27 and to enable it to review the proposal.
Recommendation	That the PCP endorses the PCC's proposed precept increase of £15.00 per annum (5.66%) bringing the total policing element of Council Tax, for a Band D equivalent property, to £280.00 per year.
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	The PCC is a precepting authority for the purposes of the Local Government Finance Act 1992 and must set the Council Tax precept in accordance with the requirements of that Act as well as the further requirements of the Police Reform and Social Responsibility Act 2011.
Equalities Impacts	Sixty-six percent of chargeable dwellings fall within council tax bands A to D, meaning they will incur an additional cost of £15 or less per year ¹ . Local Council Tax Support (LCTS) schemes are available in every district to help both pensioners and working-age individuals with their council tax payments.
Freedom of Information Exemption Section if Applicable	Not exempt under Freedom of Information Act 2000.

¹ Source: <https://www.gov.uk/government/statistics/council-taxbase-2025-in-england> - Published 6 November 2025

Executive Summary

This report outlines the budget and financial impact of the 2026/27 precept option on which the Police and Crime Commissioner (PCC) has consulted, namely, to increase council tax by £15.00 per annum at Band D (5.66%)². The table below shows the calculation for the council tax requirement for 2026/27, in accordance with Section 42A of the Local Government Finance Act 1992.

Table 1.

	£m
Net Budget 2025/26	279.857
Standstill costs	17.087
Savings	(6.886)
Investment	2.390
Net Budget 2026/27	292.448
Less Home Office Settlement Grants	(155.245)
Less Additional Core Grant	(4.314)
Less Collection Fund (surplus)/deficit	(0.697)
Council Tax Precept Requirement for 2026/27	132.192
Estimated number of band D properties (No.)	472,110
2026/27 Band D Precept requirement £ p.a.	280.00
Current Band D Precept (2025/26) £ per annum	265.00
Increase required £ per annum	15.00
Increase required % per annum	5.66%

The resulting council tax bands are shown in the table below:

Table 2.

Band	Proportion of Band D charge	2025/26 Charge £	2026/27 Charge £	Precept increase £			
				per annum	per month	per week	per day
A	6/9ths	176.67	186.67	10.00	0.83	0.19	0.03
B	7/9ths	206.11	217.78	11.67	0.97	0.22	0.03
C	8/9ths	235.56	248.89	13.33	1.11	0.26	0.04
D	9/9ths	265.00	280.00	15.00	1.25	0.29	0.04
E	11/9ths	323.89	342.22	18.33	1.53	0.35	0.05
F	13/9ths	382.78	404.44	21.66	1.81	0.42	0.06
G	15/9ths	441.67	466.67	25.00	2.08	0.48	0.07
H	18/9ths	530.00	560.00	30.00	2.50	0.58	0.08

² An increase over £15.00 would require a local referendum.

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1. Commissioner's foreword

Keeping Hertfordshire safe, backing the police in the fight against crime and holding the Constabulary to account for improvements in the service provided to the public have been the key areas of focus as Police & Crime Commissioner over the last year.

The Police & Crime Plan published last year sets out a clear strategic direction for policing and community safety in our county – proactive, visible policing, cracking down on neighbourhood crime, protecting vulnerable people and ensuring offenders are held to account and victims supported.

I am grateful for the hard work of our police officers, staff and volunteers day in day out to fight crime, support victims and keep Hertfordshire safe. They have my backing and admiration for the essential, but often unseen, work they do.

The last year has been one of considerable progress and while there is much more to do, I am pleased with the direction of travel:

- **More visible patrols** – Operation Hotspot is on track to deliver 50,000 hours of additional high visibility police patrols in our town centres and crime hotspots since my election as PCC. In year 1, Operation Hotspot cut crime and anti-social behaviour in our town centres by 14.5% and activity in year 2 is even stronger.
- **More crime being solved** – policing doesn't solve enough crime and Hertfordshire isn't an exception. Solving more crime is a key objective in the Police & Crime Plan and in the Chief Constable's force plan. There is a long way to go, but in 2025 over 1,300 more crimes were solved than in 2024. In the last three months data, Hertfordshire has finally moved out of the bottom quartile for solved rate.
- **Faster response to the public** – the national 999 call answering target is now being consistently met with an average answer time of just a few seconds. 101 call answering performance is also significantly improved.
- **Progress against PEEL inspection** – the crime recording 'cause of concern' has been closed as a result of an overhaul of performance and good progress is being made to resolve the Areas for Improvement from 2024.

- **Safer Town Centres** – concerted action in our town centres through the busy summer and winter periods has delivered results, combining police operational activity, PCC grant funding and collaboration with councils and business groups. Hertfordshire Constabulary has started using Live Facial Recognition technology to target wanted offenders.

In my strategic work as PCC, progress is being made on:

- **Retail crime prevention** – partnership working with retailers is delivering improved working relationships and collaboration. This year, I will be funding improvements in reporting systems for retail crime, support for independent retailers and interventions with prolific shoplifters.
- **Youth violence reduction** – Hertfordshire is just one of three non-VRU areas piloting prevention panels, intervening with young people who have come to police attention to reduce the chances of them getting further involved in crime, violence and ASB.
- **Domestic abuse perpetrators** – the Chrysalis Centre has been re-commissioned to a new model to improve triage and case co-ordination. The programme continues to deliver positive outcomes to change the behaviour of perpetrators to reduce reoffending.

The financial picture for policing continues to be challenging. I have been working closely with the Chief Constable to ensure we have a clear plan to address the £6.9m savings target for the financial year ahead.

Importantly, we are also funding a number of investment areas:

- Increased supervisory capacity to drive the focus we want to see on proactive policing, responding to the public and solving more crime.
- Modern technology to reduce manual data handling and improve operational insight and deployment of frontline resources.
- Contribution to reserves to improve financial resilience and support the funding of capital such as police cars, equipment and estates modernisation.

Just over half (55%) of police funding in Hertfordshire comes from Government grant with the remainder (45%) 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 £15 per year for a Band D household.

This would be an increase of 5.7% and will raise an additional £7m which, alongside Government grant, means the gross budget will rise to £328.6m

As outlined in the precept consultation report, my proposal is supported by 68% of the public who took part in my consultation, an increased share compared to the previous year.

Hertfordshire has the fifth lowest policing precept in England & Wales, being around £32 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.

With the Chief Constable, I have engaged with the Home Office to explore the potential for Hertfordshire to have precept flexibility to close that gap, based on clear public support, and provide tangible additional policing for Hertfordshire. Regrettably, the Home Office has recently indicated that it is not supportive of that proposal.

I have given careful consideration to the financial challenges facing the Hertfordshire policing budget and the need to maximise the resources the Chief Constable has to deliver operational policing, as well as the cost-of-living pressures on taxpayers and the results of the public consultation.

My proposal is that the policing precept should increase by the £15 per year (Band D) for 2026/27. As I expect most, if not all, Police & Crime Commissioners will reach a similar conclusion in light of this year's Government settlement, I anticipate that Hertfordshire's policing precept will remain the fifth lowest nationally.

66% of chargeable dwellings in Hertfordshire are in council tax bands A-D so will pay the £15 increase or less. There are Local Council Tax Support Schemes available in all districts to provide financial assistance to both pensioners and low-income working age residents.

I formally recommend that the Police & Crime Panel approves the police precept proposal for 2026/27.

2. Chief Constable's foreword

I have been Chief Constable for just over a year now, and in that time, I've witnessed the huge amount of work that has been done to improve the force's position on delivering our core purpose of catching criminals and solving crime. I am not complacent however, as we can, and will, do more in the coming year.

My team and I are pushing hard and striving for outstanding results, delivering the kind of policing Hertfordshire residents tell me they want. We have started to see the green shoots of that hard work, with much improved recording and solving of crime in recent months. This will be increasingly felt across the county over the next year as more offenders are identified and brought to justice and fewer residents fall victim to crime.

The financial landscape does continue to be challenging however, the provisional grant settlement has presented us with some challenges and we've have been working closely with the Police and Crime Commissioner to identify how we can meet a savings target of £6.9m in the year ahead. The level of council tax increase proposed in this report is therefore incredibly important if we are to continue on the journey to becoming a high performing police force.

We will mark a key milestone in 2026/27 with the opening of our new, much needed, HQ building. We have delivered this on time and within budget and these state-of-the-art facilities will allow us to drive performance up further by bringing key operational teams together in a modern, efficient and sustainable environment.

I have high hopes for 2026/27; if we receive the funding set out in this report, we will be answering 999 calls promptly, responding to incidents swiftly, recording and solving even more crime, protecting the vulnerable and bringing new technologies into the force that will keep Hertfordshire Constabulary well on track to be the outstanding police force we all want it to be.

3. Background

This report is submitted in accordance with Schedule 5 of the Police Reform and Social Responsibility Act 2011 and the Police and Crime Panels (Precepts and Chief Constable Appointments) Regulations 2012. Under these requirements, the Police and Crime Commissioner (PCC) must notify the Panel of the proposed council tax precept by 1 February. The Panel must then review the proposal and provide its response, including any decision to exercise its veto, by 8 February.

The purpose of this report is to present the Panel with the detailed revenue budget for 2026/27, together with the PCC's recommended precept increase. In setting the budget, the PCC is responsible for ensuring that the proposals are relevant to service needs, affordable for taxpayers, and sustainable over the medium term. This includes ensuring that policing priorities can be delivered effectively, and that financial risks are managed through appropriate use of reserves, contingencies, and other mitigation measures.

The recommended precept level must be considered within the wider funding framework. Police budgets are financed through a combination of government grants and locally raised council tax, and both funding streams are affected by significant pressures. Changing crime types, rising demand, increasingly complex investigations, and inflation, particularly in pay and non-pay areas, continue to drive cost increases. These pressures must be balanced carefully against available resources.

The precept decision is part of a four-year financial planning cycle rather than a single-year assessment. This approach ensures the organisation can continue to support delivery of the Police and Crime Plan and maintain operational resilience over time. It also provides stability during a period of national uncertainty, including proposed changes to the future governance model for policing.

The Panel is therefore asked to consider the proposed precept within this context and to provide its statutory response to the Commissioner by 8 February 2026.

4. The Funding Context

Despite an increase of £4.3m in the government's core grant for 2026/27, this uplift does not sufficiently offset the substantial cost pressures facing the Constabulary. These include pay rises, higher business rates, and escalating utilities costs. Further detail regarding these standstill pressures is provided in Section 7 of this report.

For 2026/27, the council tax referendum threshold has risen slightly to £15 for a Band D property. Unlike previous years, the Home Office has introduced the option for Police and Crime Commissioners (PCCs) to apply for Exceptional Financial Support (EFS), which offers greater flexibility in terms of precept allocations. However, the initial EFS submission deadline of 31 December 2025 and limited accompanying information led to ongoing uncertainty for police organisations about their financial positions.

Subsequently, the Home Office clarified the Neighbourhood Policing Grant component of the settlement, increasing the ring-fenced element by £2.5m and providing an additional £0.760m in funding. The accompanying correspondence also confirmed the removal of officer number constraints previously linked to Uplift Maintenance. This change enables forces to manage officer numbers more efficiently within budgetary constraints by adjusting recruitment throughout the year, thereby eliminating the "cliff-edge" risk, and allowing a more flexible mix of officers and staff for Hertfordshire.

At the time of writing, no further announcements have been made, and none are anticipated before the end of January. The EFS deadline was revised to 6 January 2026, giving Hertfordshire the opportunity to submit a proposal, consistent with previous government lobbying, for an additional £37, to be distributed equally over two years. This would bring the precept in line with the England and Wales average and enable significant further investment.

It should be noted that the outcome of this submission is not expected before the Police and Crime Panel meeting. Early indications suggest that approval is unlikely.

Taking into account the increased core grant and assuming the PCC uses the full flexibility allowed for the precept, the growth in available funding sources for the Constabulary still falls short of the increased cost base. Consequently, the Constabulary will be required to identify savings of £6.9m in 2026/27, as detailed in Section 8, a figure comparable to the previous year's target of £7.2m, of which £2.6m (36%) was not achieved.

The current budget has been developed against a backdrop of uncertainty, both from the lack of detail in the provisional settlement and from potential major structural changes. These include the announced abolition of the PCC in 2028³, to be replaced by either a Mayoral or Policing Board model, and government consideration of merging the current 43 police forces in England and Wales into 12 to 15 regional forces⁴. Such changes would have a significant impact on the Constabulary.

³ [Police and crime commissioners to be scrapped - GOV.UK](#)

⁴ [Written statements - Written questions, answers and statements - UK Parliament](#)

5. Grant Settlement

The Provisional Police Funding Settlement for 2026/27 was announced on 18 December 2025 by the Minister for Policing and Crime. Details can be found on the Parliament website [here](#). Unlike in previous years, no consultation period accompanied the announcement, and only limited detail was provided. As a result, it is not yet clear which elements of earlier grants have been consolidated into the initial single settlement figure of £181.4m; a year-on-year increase of £6.1m. The Home Office subsequently announced an additional allocation of £0.8m in grant funding associated with the Neighbourhood Policing Grant⁵.

a. Core Grant⁶ - £176.595m (£145.017m in 2025/26)

In the meantime, Table 3 summarises the main components of the prior year's grant settlement and the provisional allocations for 2026/27. The settlement provides a net cash increase of £6.8m, resulting in total grant funding of £182.2m for Hertfordshire. Further information is expected in the final settlement, due in late January 2026, following publication of the Government's police reform white paper.

Table 3.

Element	2025/26 £m	2026/27 £m
Core grant	145.017	176.595
Council tax legacy grant	10.228	
Additional recruitment top-up	1.284	
Officer maintenance grant	5.342	
Pension	6.444	
NIC	3.966	
Grants sub-total	172.281	176.595
Neighbourhood policing	3.052	5.582
Total grants	175.333	182.177
Change on previous year (£m)	5.173	6.844
Change on previous year (%)	3.45%	3.90%

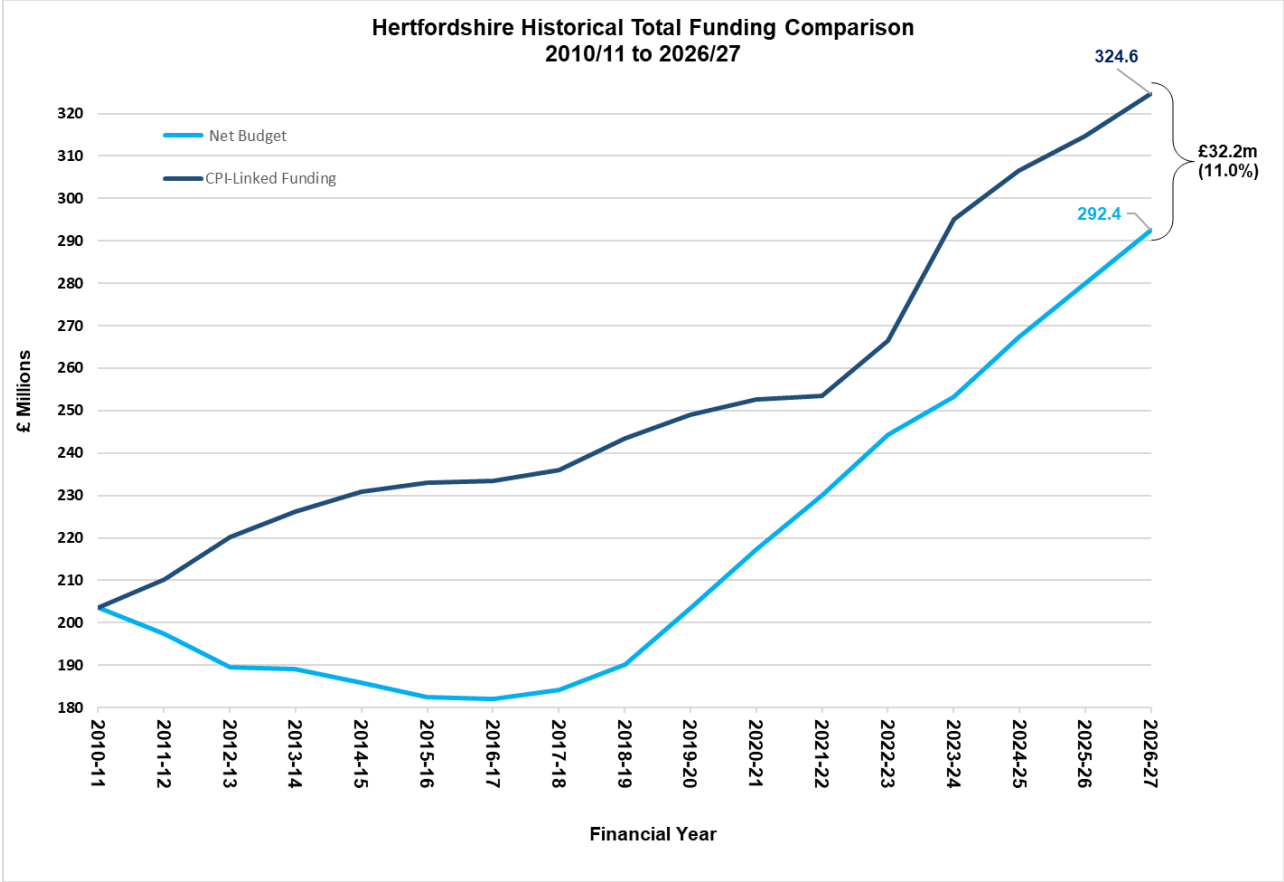
Early analysis shows that Hertfordshire receives the 15th highest percentage increase out of the 43 police forces, at 3.5%. By comparison, Cambridgeshire receives the largest increase (4.4%), largely because it does not participate in the Government's Neighbourhood Policing Guarantee scheme.

⁵ Hertfordshire's 1.53% share of extra £50.0m

⁶ No changes to the Police Funding Formula are anticipated in 2026/27.

However, despite recent funding increases, particularly those linked to the Police Uplift Programme, Hertfordshire’s overall funding has not kept pace with inflation since 2010. When adjusted for CPI, the force’s real-terms funding position is £32.2m lower than in 2010/11 as illustrated below. This long-term erosion continues to place pressure on the Constabulary’s ability to meet rising demand and operating costs.

Graph 1.



b. Council Tax Legacy Grant - £TBCm (£10.228m in 2025/26)

This grant element relates to the government initiatives that compensated policing bodies for choosing not to increase council tax in specific years. Between 2013/14 and 2015/16, forces that froze their precept received a council tax freeze grant, which has since been consolidated into the ongoing Council Tax Legacy Grant. It is assumed that this is included in the £176.6m core grant figure.

c. Additional Recruitment Top-Up Grant - £TBCm (£1.284m in 2025/26)

This grant is given to forces that have hired more officers than their initial recruitment goal, for example, Hertfordshire employed 24 officers beyond its target of 2,381. It is expected that this amount is included within the £176.6m non-specific core grant.

d. Officer Maintenance Grant - £TBCm (£5.342m in 2025/26)

The Police Officer Maintenance grant provided a ringfenced Home Office funding to help maintain police officer numbers at the required headcount. The Home Office has confirmed that this grant is being removed because it was limiting workforce flexibility. From 2026/27 it will be replaced with a Neighbourhood Policing target, giving forces more freedom to shape their workforce while still prioritising frontline visibility.

e. Police Officer Pension Grant - £TBCm (£6.444m in 2025/26)

The Police Pension Fund grant helps cover increased employer contributions for police pensions, which went up from 31.0% to 35.3% following the latest national review. It is assumed these costs are already included in the £176.6m of non-specific core grant.

f. National Insurance increase - £TBCm (£3.966m in 2025/26)

The new grant component for 2025/26 was introduced to offset the rise in employer's National Insurance contributions to 15% starting from 6 April 2025, as well as the reduction of the secondary threshold to £5,000. It is presumed that this is part of the £176.6m in non-specific core grants.

g. Neighbourhood Policing Guarantee – £5.582m (£3.052m in 2025/26)

The Home Office allocated new funding to Hertfordshire to facilitate the transfer of additional police officers into neighbourhood policing roles from 2025/26. This initiative is part of the Government's national strategy to increase by 13,000 the number of policing personnel undertaking neighbourhood policing across England and Wales over four years, with the objectives of enhancing visible policing and strengthening public confidence. Such initiatives are consistent with the direction in the Hertfordshire Police & Crime Plan. The grant is designed to fund growth in neighbourhood policing roles and support the release of officers from other functions. For Hertfordshire this is a further 27 FTE transferred into neighbourhood policing above the Hertfordshire baseline as at 31 March 2026.

h. Capital Grant

No grant has been provided to forces for capital funding.

i. Ministry of Justice (MoJ) Grants

Besides the Home Office funding described earlier, the PCC receives grants from the Ministry of Justice (MoJ) to commission victims' services. For 2026/27, this grant has been set at £2.356m and includes the following components:

Table 4.

Grant element	2025/26	2026/27	Y-on-Y Change	Y-on-Y Change
	£m	£m	£m	%
Victims Services Core budget	1.325	1.351	0.026	2.0
ISVA ⁷ / IDVA ⁸ Baseline Funding #1	0.985	1.005	0.020	2.0
ISVA / IDVA Additional Funding #2				
ISVA / IDVA Additional Funding #3				
Domestic Violence/Sexual Violence services				
Total funding	2.310	2.356⁹	0.046	2.0

⁷ Independent Sexual Violence Advisor

⁸ Independent Domestic Violence Advisor

⁹ The 2027/28 allocation has been also confirmed as £2.030m

6. Council Tax income

On 17 December 2025, the Ministry of Housing, Communities and Local Government (MHCLG) released the provisional council tax limits^{10,11}, which outline the policing council tax referendum principles, specifically, a £15.00 limit for a typical Band D property. As previously noted, an application has been submitted requesting increased flexibility up to £37.00, and we are currently awaiting the outcome.

a. Taxbase

The calculation of the council tax base is conducted by billing authorities, who convert all properties to their Band D equivalents and apply established assumptions related to discounts and expected collection rates. According to the final estimates submitted by the ten billing authorities, the police council tax base is anticipated to grow by 0.6%, resulting in an estimated additional income of £0.753m¹². The table below presents a detailed breakdown of these projections for each of the ten billing authorities.

Table 5.

Hertfordshire Boroughs & Districts' Taxbase				
Billing Authority	Tax Base	Tax Base	Change	
	2025/26	2026/27	increase/(decrease)	
	No.	No.	No.	%
Broxbourne Borough Council	36,636.0	36,822.6	186.6	0.5%
Dacorum Borough Council	60,009.4	60,641.8	632.4	1.1%
East Herts District Council	65,314.0	65,819.2	505.1	0.8%
Hertsmere Borough Council	43,331.4	43,121.1	(210.3)	(0.5%)
North Herts District Council	50,836.3	51,529.0	692.7	1.4%
St Albans District Council	64,632.2	64,967.7	335.5	0.5%
Stevenage Borough Council	28,571.8	28,884.5	312.7	1.1%
Three Rivers District Council	40,038.9	40,124.8	85.9	0.2%
Watford Borough Council	35,648.3	35,687.7	39.4	0.1%
Welwyn Hatfield District Council	44,250.4	44,511.4	261.0	0.6%
TOTAL	469,268.7	472,109.8	2,841.0	0.6%

¹⁰ [Provisional local government finance settlement 2026 to 2027 - GOV.UK](#)

¹¹ [Referendums Relating to Council Tax Increases \(Principles\) \(England\) Report 2026 to 2027: draft - GOV.UK](#)

¹² 2,841 x £265

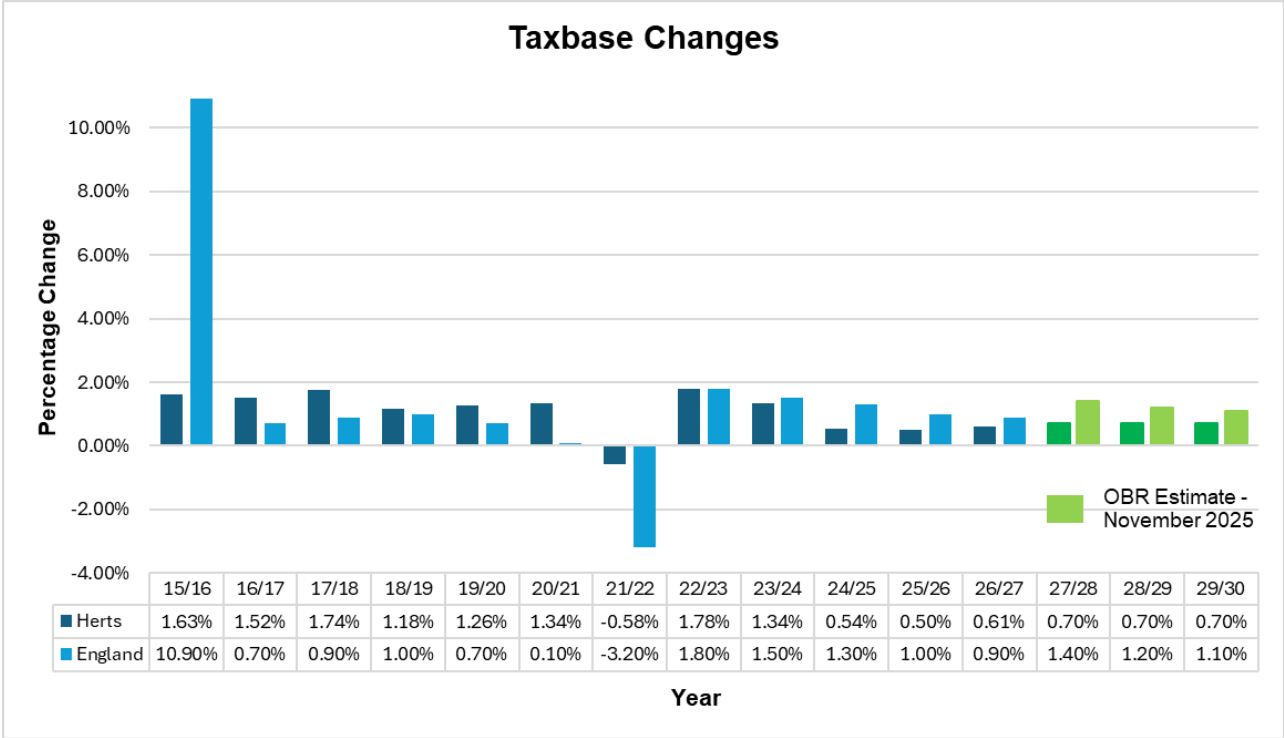
Since 2022/23, Hertfordshire’s council tax base has consistently stayed below the national average, with a similarly modest increase of just 0.6% in 2026/27. This remains lower than the national average growth rate of 0.9%.

Billing authorities across Hertfordshire have pointed to several reasons for this slower growth:

- Reduced council tax collection rates
- Higher costs due to greater participation in Local Council Tax Support schemes
- Slower-than-expected housing development

The following graph compares changes in Hertfordshire’s actual tax base to the national average for England and includes projections for the next three years.

Graph 2



The following summarises the additional revenue generated from the forecast change to the tax base:

Table 6.

Taxbase Calculation	Amount
Estimated number of band D properties – 2026/27	472,110
Less Number of band D properties – 2025/26	469,269
Increase in tax base properties	2,841
Band D council tax rate	£265.00
Increased tax base income	£0.753m

b. Collection fund

The collection fund accounts for annual variances between projected and actual council tax receipts, attributed to fluctuations in collection rates and changes in the tax base. The final figures below¹³ indicate a net year-on-year increase of approximately £0.442m for 2026/27. The accompanying table illustrates the overall change between the respective years.

Table 7.

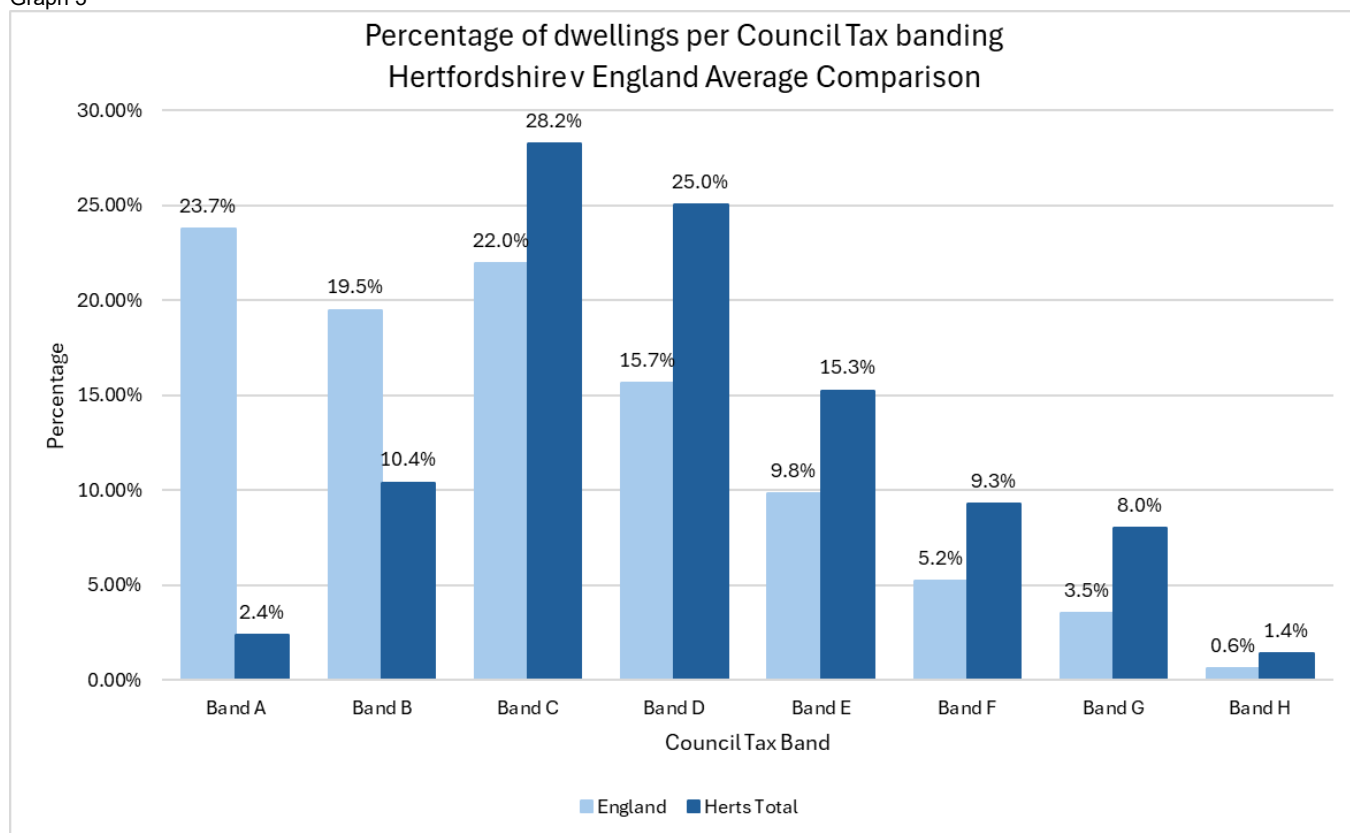
Draft Collection Fund Surplus/(Deficit) relating to the PCC			
Billing Authority	2025/26 £	2026/27 £	Change £
Broxbourne Borough Council	(110,807.67)	(15,190.15)	95,617.52
Dacorum Borough Council	25,248.37	144,061.57	118,813.20
East Herts District Council	63,515.70	68,703.00	5,187.30
Hertsmere Borough Council	34,282.00	88,116.00	53,834.00
North Herts District Council	124,553.18	223,436.00	98,882.82
St Albans District Council	460,508.00	244,244.00	(216,264.00)
Stevenage Borough Council	(205,593.15)	252,714.23	458,307.38
Three Rivers District Council	(118,853.00)	(247,819.34)	(128,966.34)
Watford Borough Council	(1,178.47)	(771.46)	407.01
Welwyn Hatfield District Council	(16,482.54)	(60,555.92)	(44,073.38)
TOTAL	255,192.42	696,937.93	441,745.51

¹³ Billing authorities (districts) must notify Precepting Authorities (PCC & HCC) of relevant information no later than seven working days after 15 January 2026, in accordance with Regulations 10(2b)-(3) and 11(3) of [The Local Authorities \(Funds\) \(England\) Regulations 1992](#)

c. Band D Council Tax

The proposed Band D council tax policing precept for 2026/27 is £280.00, representing an increase of £15.00 or 5.66% compared to the figure for 2025/26. In relation to the EFS application, notification from the Home Office regarding whether the request for additional flexibility up to £37.00 (equating to £18.50 per year and a total precept of £298.50 in 2026/27) will be approved by MHCLG is expected by the end of January. The graph below illustrates the composition of chargeable dwellings in Hertfordshire relative to the average across England¹⁴.

Graph 3



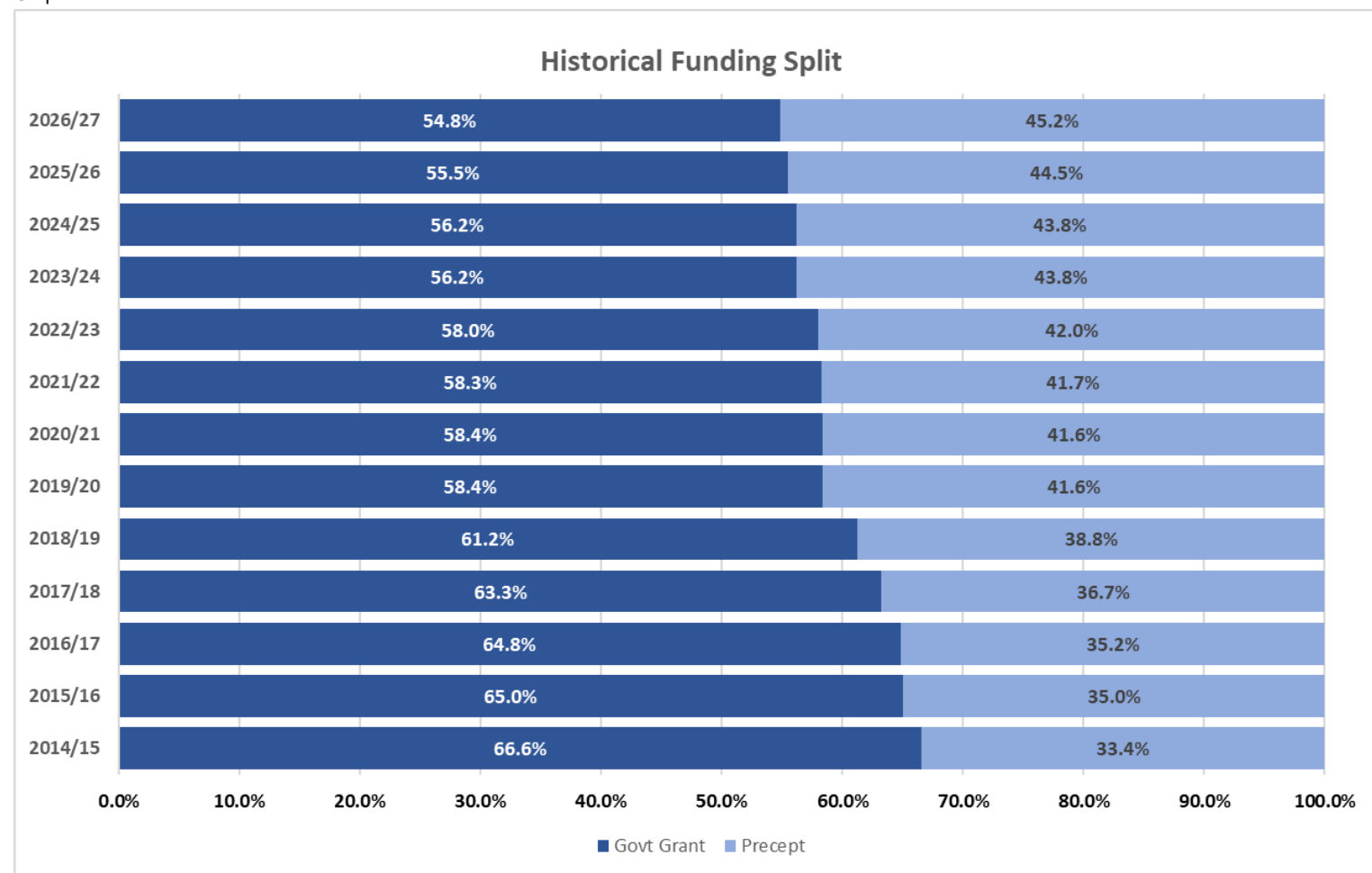
As indicated above, 66.0%¹⁵ of properties in Hertfordshire fall within Bands A to D and will therefore pay no more than £280.00 for the policing component of their council tax.

¹⁴ [Council Taxbase: Local authority level data for 2025](#) - October 2025

¹⁵ England A to D is 80.9%

As shown in the graph below, council tax will account for 45.2%¹⁶ of total funding in 2026/27, reflecting an overall shift in funding sources over time. This represents an 11.8% change since 2014/15, with less reliance on government grants and a greater emphasis on locally determined precepts¹⁷.

Graph 4

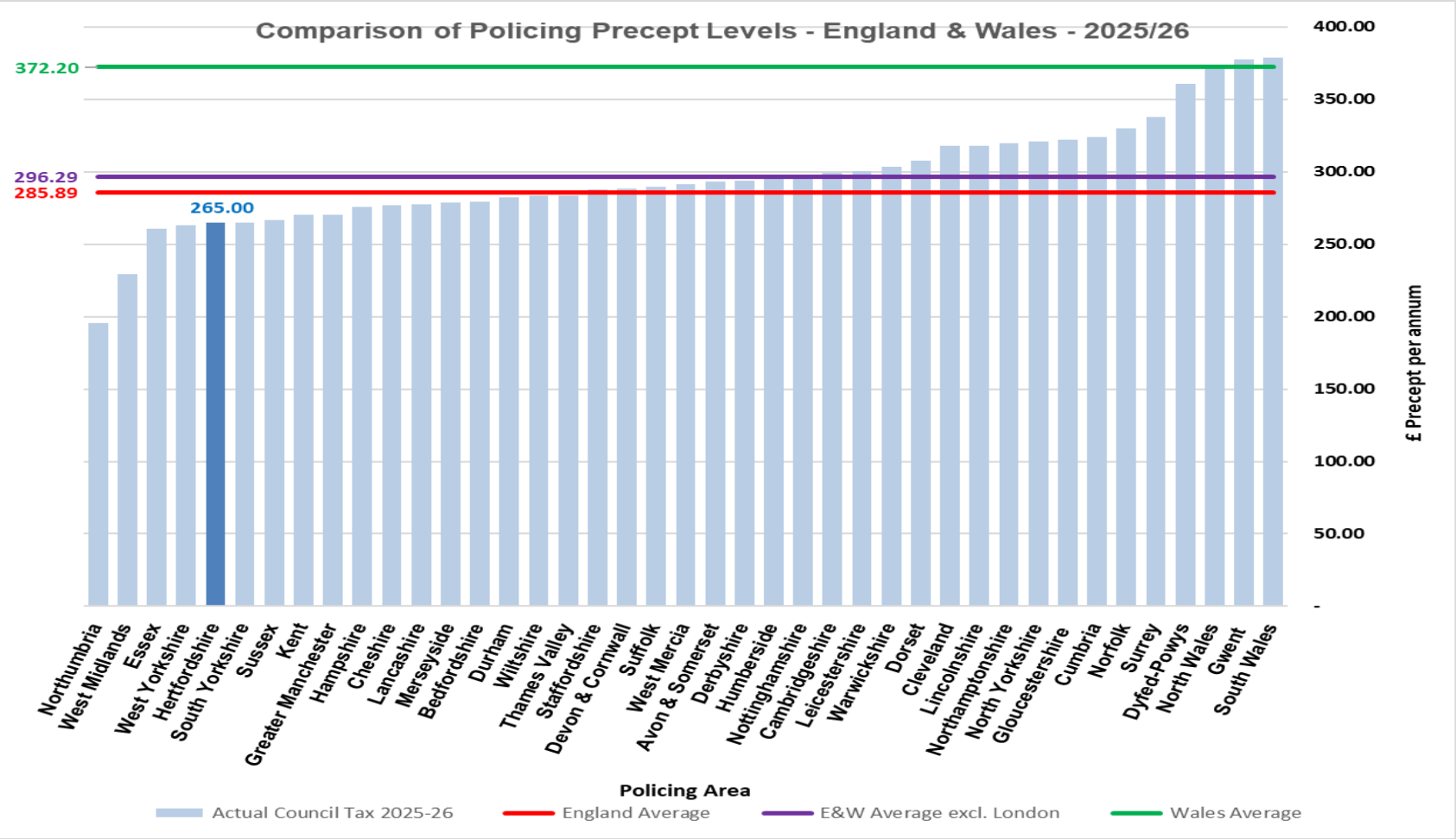


¹⁶ National average 40% for the precept element ranging from 21% (Northumbria) to 55% (Surrey).

¹⁷ Hertfordshire's precept was frozen between 13/14 and 15/16 and reduced in 16/17 and was compensated with council tax freeze grant of £8.2m (13/14), £8.9m (14/15) and then £10.2m from 15/16 onwards.

Hertfordshire’s Band D council tax precept for 2025/26 is £265.00, which is the fifth lowest in the country¹⁸. This amount is £31.29 (or 10.5%) less than the average precept of £296.29 set by the 43 precepting forces across England and Wales¹⁹. The graph below illustrates how Hertfordshire’s precept compares to others for 2025/26.

Graph 5



¹⁸ Hertfordshire’s position may fall if any of the four forces with lower precept levels receive additional precept flexibility and Hertfordshire does not.

¹⁹ Excludes City of London which receives a precept grant in lieu of their inability to precept

d. Overall Increase in Council Tax Income

The net effect of tax base, collection fund surplus and the precept increase set-out above results in a £8.277m increase in council tax income for 2026/27.

Table 8.

Council Tax Element	2025/26 £m	2026/27 £m @£15
Precept increase	6.573	7.082
Tax base increase	0.597	0.753
Collection fund change	0.211	0.442
Total Council Tax increase	7.381	8.277

Further detail of the estimated precept to be received from the individual billing authorities can be found in Appendix B.

7. 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 2026/27 totals £17.087m and comprises the following:

Table 9.

Standstill Costs	2026/27 £m
Officer Pay	7.613
Staff Pay	3.164
Prior Year savings	2.550
Non-Pay	3.263
Capital Financing	2.527
Specific Grants	(2.530)
Reserves replenishment	0.500
Total	17.087

a. Police Officer pay costs – £7.613m

Police Officer Pay Award 2025/26 - This was originally budgeted as a 2.5% pay rise starting from 1 September 2025. However, the final increase was set at 4.2% for all ranks and spinal points, leading to an additional cost of £4.177m in 2026/27.

Police Officer Pay Award 2026/27 – It is assumed that a 3.0% pay award will be issued from 1 September 2026, amounting to an estimated cost of £2.806m in 2026/27. Any increase above this rate will likely require a revision of the workforce plan to limit officer recruitment, where allowed by grant restrictions, unless the Home Office provides additional funding as it has over the past two years.

Average Police Officer Pay – The average police pay in Hertfordshire is expected to rise by £0.500m, as more police constables recruited through the uplift program advance along the pay scales. This trend is causing a projected overspend against police pay budgets for 2025/26.

Officer Overtime - an increase of £0.130m is expected in 2026/27 due to the full-year impact of higher pay rises in 2025/26 and an assumed 3.0% pay award for 2026/27.

b. Police Staff pay costs – £3.164m

Police Staff pay award 2025/26 - This was originally budgeted as a 2.5% pay rise starting from 1 September 2025. However, the final increase was set at 4.2% for all staff spinal points, leading to an additional cost of £1.537m in 2026/27.

Police Staff pay award 2026/27 – It is assumed that a 3.0% pay award will be issued from 1 September 2026, amounting to an estimated cost of £2.344m in 2026/27. Any increase above this rate will likely require a revision of the workforce plan to limit recruitment or increase compulsory redundancies unless the Home Office is forthcoming with additional funding.

Police Staff pension contribution rate - the most recent actuarial review has resulted in a 1.8% decrease in the employer's contribution rate for police staff pensions, bringing it down to 15.7%. This adjustment is expected to save approximately £1.050m in police staff pay.

Average Police Staff Pay – The average police pay in Hertfordshire is expected to rise by £0.300m, as staff advance through the pay scales. This trend is causing a projected overspend against police pay budgets for 2025/26.

Staff Overtime - an increase of £0.033m is expected in 2026/27 due to the full-year impact of the higher pay rise in 2025/26 and an assumed 3.0% pay award for 2026/27.

c. Prior year savings - £2.550m

The 2025/26 budget established a savings target of £7.193m; however, the savings associated with reducing the vacancy factor and implementing Workforce Mix/De-civilianisation fell short by £1.054m and £1.496m, respectively.

d. Non-Pay - £3.263m

Provision has been made in the MTFS for general inflation in line with the latest OBR forecasts for CPI. For 2026/27 the budget includes an allowance for 3.0% general inflation across delegated non-pay budgets at a cost of £1.549m, plus a further £1.714m will be held centrally to target areas of pressure during 2026/27.

e. Capital Financing and HQ Redevelopment costs - £2.527m

The PCC faces cost pressures funding the capital programme, including HQ redevelopment, ICT upgrades, and vehicle fleet investment. External borrowing is expected to rise, increasing interest costs by £1.113m. The Minimum Revenue Provision will also increase by £1.414m due to capital financing requirements.

f. Specific Grants – £2.530m additional income

This allocation of additional funding pertains to the Neighbourhood Policing Guarantee, under which the Home Office expects police forces to prioritise the redeployment of officers from back-office roles or positions where warranted officers are not essential.

Hertfordshire's preliminary allocation for anticipated national growth in Year 2 of the Programme is 27, although final force-level targets will be announced in due course.

g. Reserves Replenishment - £0.500m

The organisation's reserves have decreased by 81% from their peak in 2014/15, with the current balance now at 3.2% of the net budget. This diminished level does not offer adequate financial resilience, and continued depletion is unsustainable, especially given the anticipated substantial one-off expenditure required for significant police staff redundancy costs, estimated at approximately £7.5m over the next two years, in the absence of available capital receipts. Consequently, a strategy for the gradual restoration of reserve levels has been incorporated into the Medium-Term Financial Strategy (MTFS), aiming to return reserves to the thresholds recommended by the Chief Finance Officer.

8. Savings

The savings requirement for 2026/27 totals £6.886m and the following areas have been identified.

Table 10.

	2026/27 £m
TVP Reductions	(0.642)
Police Staff savings	(5.038)
Full-year effect of Police Staff savings in 2025/26	(1.000)
Fleet cost reduction	(0.206)
Total	(6.886)

Detail of each saving proposal is set out below:

a. Removal of targeted variable payments (TVPs) - £0.642m

The constabulary has made TVPs to Chief Superintendents and Superintendents for a few years. The payments are intended to recognise the added responsibilities held by some officers compared to their peers. The value differs from role to role and not all officers in superintending ranks receive a TVP.

The constabulary also introduced detective TVPs a couple of years ago, partly as a response to a recruitment campaign by the Metropolitan Police targeting detectives, partly to address the relatively low number of accredited detectives in the force.

But the conditions that gave rise to both payments have changed over the last year or so; basic pay for superintending ranks has increased over and above cost of living pay-rises and the constabulary has made good progress in recruiting and retaining detectives.

In light of the changing circumstances, the constabulary reduced TVPs to all superintending ranks and some detective roles from 1st April 2025, and this saving is the removal of the remaining 50% from 1st April 2026.

b. Police Staff savings - £5.038m

An organisation-wide savings exercise is underway, with an anticipated reduction in police staff numbers in Hertfordshire-only units through workforce reorganisation. In addition, the Beds, Cambs and Herts (BCH) collaboration has been assigned a £3.000m savings target for the upcoming year, of which Hertfordshire's share is £1.320m, with most of these savings anticipated to be achieved through support services.

c. Full-year effect of Police Staff savings in 2025/26 - £1.000m

The Constabulary conducted a voluntary redundancy programme in July 2025, but the final results were not confirmed until later that year. Consequently, the savings from over 50 staff leaving were not fully realised within the year, so the remaining benefits will be seen in 2026/27.

d. Reduction in fleet costs - £0.206m

Effective 1 April 2026, the Constabulary will withdraw from the Chiltern Transport Consortium. This transition is expected to enhance efficiency through streamlined fleet management, improved cost transparency, and reduced vehicle downtime, while supporting more responsive and effective service delivery, all with the goal of a modest cost reduction relative to the current arrangement.

9. Investment

A total of £2.390m has been earmarked for investment in the following areas during 2026/27.

Table 11.

	2026/27 £m
Senior Officer Restructure	1.200
Palantir AI Solutions	1.040
Tasking	0.150
Total	2.390

a. Senior Officer Restructure - £1.200m

An investment of £1.200m is required to support the marginal cost of increasing supervisory capacity by 14 FTE. This uplift, primarily adding Inspector roles alongside additional Superintendent and Chief Superintendent posts, follows a detailed organisational review carried out by senior officers. The enhanced supervisory structure will strengthen frontline leadership, improve operational control, and ensure more effective oversight of high-demand response functions, thereby supporting the Constabulary's ability to maintain service performance and resilience amid growing operational pressures.

b. Palantir AI Solutions - £1.040m

The Constabulary intends to invest £0.750m in Palantir Technologies' NECTAR platform, a national policing data-integration and analytics capability designed to modernise and replace multiple legacy systems, which was initially launched with Bedfordshire Police. NECTAR will provide the Constabulary with a secure, unified environment for searching, analysing, and sharing operational data, significantly improving intelligence development, operational insight, and evidence-based decision-making. In parallel, the Constabulary proposes an additional £0.290m investment in Palantir's Force Control Room (FCR) solution, which will enhance real-time situational awareness and call-handling efficiency by integrating live incident, resource, and risk information into a single operational picture. Together, these capabilities will reduce manual demand, strengthen data quality, support more effective deployment of frontline resources, and deliver measurable performance and productivity benefits across core policing functions. While at the same time critical for the delivery of the savings target in 2026/27.

c. Tasking Overtime budget - £0.150m

This investment will create additional budget headroom, separate from existing overtime budgets, establishing a centrally held reserve that senior officers can use to support targeted proactive policing operations.

10. Office of the Police & Crime Commissioner (OPCC)

For 2026/27, the PCC's total net revenue budget remains at £4.140m, with £2.574m allocated to the Office of the PCC. This amounts to 0.78%²⁰ of Hertfordshire police's gross budget or 0.88%²¹ of its net budget, both figures are below the Government guideline that PCC running costs should stay under 1.00% of overall policing budget.

Table 12

Breakdown	2025/26	2026/27	Change
	£'000	£'000	£'000
OPCC	2.642	2.450	(0.192)
Criminal Justice Board (CJB)	0.124	0.124	0.000
Victims Services	2.550	2.596	0.046
Road Safety expenditure	0.350	0.350	0.000
PCC Grants	1.134	1.326	0.192
PCC Gross Budget	6.800	6.846	0.046
Road Safety funding	(0.350)	(0.350)	0.000
Ministry of Justice Grant Income	(2.310)	(2.356)	(0.046)
PCC Net Budget	4.140	4.140	0.000

A recent OPCC restructure has reduced the number of posts in the office, achieving both cashable savings and cost avoidance. The savings achieved have helped offset inflationary and pay rise costs in the OPCC. The net effect means that the OPCC core budget can be reduced by £0.192m. This has been transferred to the PCC's Grants budget for projects supporting the Police & Crime Plan.

The pay costs for the Office of the Police and Crime Commissioner (OPCC) and the Criminal Justice Board (CJB) are expected to increase in the upcoming financial year. This is primarily due to a national pay rise of 4.2% agreed from September 2025, followed by an anticipated further increase of 3.0% in September 2026. Collectively, these adjustments will result in an overall increase of approximately £0.083m in pay costs. It is important to highlight that these projected cost increases have already been incorporated within the standstill costs outlined elsewhere in this report. Crucially, even after factoring in these adjustments the overall cost of the OPCC is still anticipated to remain below the established 1% limit referenced above.

²⁰ 2026/27 Gross budget £328.6m

²¹ 2026/27 Net budget £292.4m

The Ministry of Justice grant has increased by £0.046m, which has been balanced by a corresponding increase in the cost of Victims Services commissioned through the Police and Crime Commissioner.

11. 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) 3.0% per annum pay award is applied to all officers and police staff in 2026 and 2.5% from 2027 onwards. Payable from 1 September each year.
- c) The cost of annual increment growth for both police officers and police staff will exceed the savings from the drop in increments through turnover, by circa £0.500m and £0.300m each year, respectively.
- d) Non-Pay inflation will be 3.0% in 2026/27 and will then decrease to 2.0% by 2027/28.
- e) The rates of employer's national insurance employer contributions remain the same as those for 2026/27 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) The employer superannuation contributions rate remains the same for the Police Pension Scheme across the MTFS and that the LGPS rate will remain at the reduced level arising from the March 2025 valuation set out in Section 7 above, throughout the MTFS.
- g) An increase in the Council Tax Base of 0.6% in 2026/27 and 0.7% per annum thereafter.
- h) That the Council Tax collection fund will be in surplus by £0.716m in 2026/27 and that the surplus will increase by £0.050m each year thereafter.
- i) That the precept will increase by £15 in 2026/27 and by £14 for each year of the MTFS thereafter.

The table below summaries the assumptions listed above.

Table 13

Budget element	2026/27	2027/28	2028/29	2029/30
Pay Awards %	3.0	2.5	2.5	2.5
Non-Pay Inflation %	3.0	2.0	2.0	2.0
Core Grant %	3.93	3.26	1.71	1.71
Taxbase %	0.6	0.7	0.7	0.7
Collection fund surplus £m	0.716	0.766	0.816	0.866
Min Precept increase £	15.00	14.00	14.00	14.00

The assumed changes in government grant levels over the medium-term are set below.

Table 14

Grant element	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Core Grant	(149.331)	(154.529)	(157.350)	(160.219)
Council Tax Legacy Grant	(10.228)	(10.228)	(10.228)	(10.228)
Total	(159.559)	(164.757)	(167.578)	(170.447)
Change on previous year (£m)		(5.198)	(2.821)	(2.869)
Change on previous year (%)		3.26%	1.71%	1.71%

The standstill budget requirements for the period to 2029/30 totals £51.8m and comprises the following:

Table 15

Standstill Costs	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Officer Pay	7.613	5.156	4.928	5.055	22.752
Staff Pay	3.164	2.747	2.629	2.699	11.239
2025/26 under achieve savings	2.550	0.000	0.000	0.000	2.550
Non-Pay	3.263	2.018	2.107	2.114	9.502
Capital Financing	2.527	4.669	1.443	(0.942)	7.697
Specific Grants	(2.530)	0.000	0.000	0.000	(2.530)
Reserves	0.500	1.900	(1.556)	0.774	1.618
Total	17.087	16.490	9.551	9.700	52.828

The medium-term financial strategy reflecting the assumptions outlined in Table 13 above is shown in the table below.

Table 16

Budget Element	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Standstill costs	17.087	16.490	9.551	9.700	52.828
Core Grant	(4.314)	(5.198)	(2.821)	(2.869)	(15.202)
Taxbase & Collection Fund	(1.195)	(0.975)	(1.028)	(1.082)	(4.280)
Precept increase	(7.082)	(6.656)	(6.702)	(6.749)	(27.189)
Investment	2.390	1.000	1.000	1.000	5.390
Budget Gap	(6.886)	(4.661)	0.000	0.000	(11.547)

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 £6.886m in 2026/27 and £11.547m by 2029/30.

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

Table 17

	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Budget Gap (post investment)	6.886	4.661	0.000	0.000	11.547
TVP Reductions	(0.642)	0.000	0.000	0.000	(0.642)
Police Staff savings	(5.038)	(2.848)	0.000	0.000	(7.855)
Police Staff savings in 2025/26	(1.000)	0.000	0.000	0.000	(1.000)
Fleet cost reduction	(0.206)	(0.206)	0.000	0.000	(0.412)
Reduction in Estates Costs	0.000	(1.638)	0.000	0.000	(1.638)
Net Annual Budget Gap	0.000	0.000	0.000	0.000	0.000
Cumulative Budget Gap	0.000	0.000	0.000	0.000	0.000

2026/27 and beyond savings

In addition to the identified savings for 2026/27 detailed in Section 8, the following areas have been earmarked for future planned savings:

- TVP Reductions: £0.642m. This reflects the completion of the phased removal of the TVP allowance for detectives during 2026/27.
- Police Staff Savings: £7.855m. A reduction of approximately 135 police staff posts over the next two financial years.
- Prior-year Police Staff Savings: £1.000m. This comprises the remaining benefit from the voluntary redundancy programme undertaken in 2025/26.
- Fleet: £0.412m. Analysis of telematics data suggests that the vehicle fleet can be reduced by around 10% through increased utilisation, which will also affect the fleet renewal element of the capital programme.
- Estates: £1.638m. Anticipated savings represent a 15% reduction in estate running costs, achieved through estate rationalisation. This will leverage the efficiencies offered by the new HQ building, enabling relocation and potential disposal of surplus sites, subject to the Estates Strategy, and the adoption of more energy-efficient practices.

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

Table 18

Variable	1% Variance (£m) (+/-)
Police Pay	0.966
PCSO/Police Staff Pay	0.506
Utilities	0.268
Fuel	0.100
Supplies and Services	0.303
Police Grant	(1.552)
Precept	1.251
Tax Base	1.244

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 3.0% 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.

Appendix A - Revenue Budget Detail²²

The 2026/27 gross to net budget and its prior year comparator are shown below:

Table 19

Gross to Net Budget	2025/26 £m	2026/27 £m
Gross Budget	313.9	328.6
Fees & Charges	(8.3)	(8.4)
Other Grants	(24.8)	(27.4)
Local Authority PCSO funding	(0.4)	(0.4)
Reserves	(0.5)	0.0
Net Budget	279.9	292.4

A high-level subjective analysis of the changes in the net budget is shown below:

Table 20

Expenditure type	2025/26 £m	2026/27 £m	Change £m	Change %
Police Officer Pay	165.7	173.7	8.0	4.8
Police Officer Overtime	4.7	5.0	0.3	6.4
Police Staff Pay	79.2	77.8	(1.4)	(1.8)
Police Staff Overtime	1.1	1.2	0.1	9.1
PCSO Pay	7.6	7.8	0.2	2.6
Employee Related Expenditure	3.9	4.0	0.1	2.6
Premises Cost	11.2	11.2	0.0	0.0
Transport Costs	5.7	5.8	0.1	1.8
Supplies And Services	30.3	37.5	7.2	23.8
Capital Financing	4.5	4.5	0.0	0.0
Fees And Charges	(24.8)	(27.4)	(2.6)	10.5
Specific Grants	(8.3)	(8.3)	0.0	0.0
Partner Contributions	(0.4)	(0.4)	0.0	0.0
Net Use of Reserves	(0.5)	0.0	0.5	(100.0)
Total Net Budget	279.9	292.4	12.5	4.5

²² There may be arithmetic differences due to rounding

Appendix B - Precept Summary

Table 21

	£'000
Budget Requirement	292,447
Less Government Funding	(159,559)
To be met from council tax (incl. collection fund)	132,888

To be collected from the 10 Billing Authorities as follows:

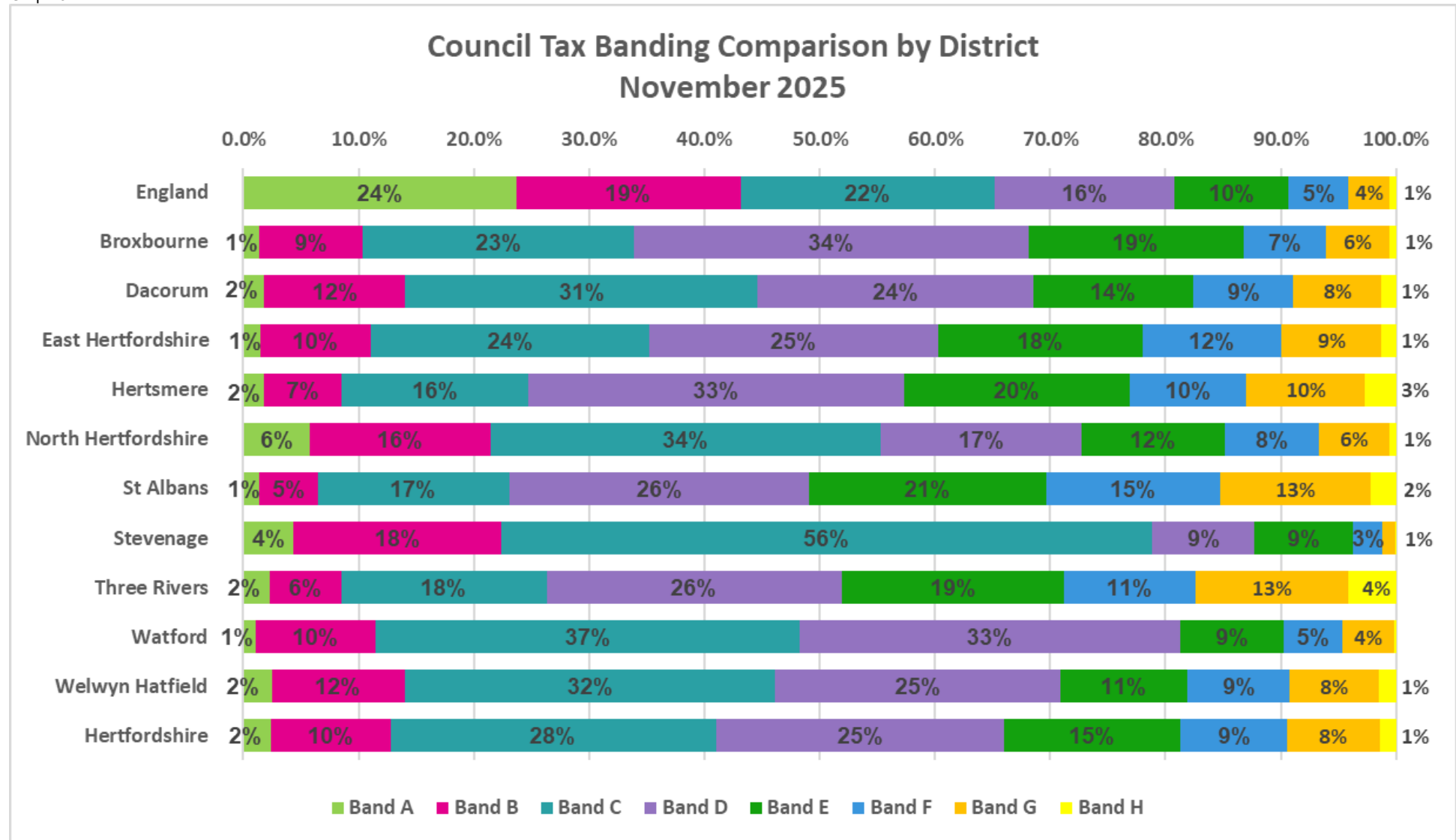
Billing Authority	2026/27 Tax Base	Precept Amount @ £280	Draft Surplus/ (Deficit) on Collection Fund	Total Payments Due
	No.	£	£	£
Broxbourne Borough Council	36,822.60	10,310,328.00	(15,190.15)	10,295,137.85
Dacorum Borough Council	60,641.80	16,979,704.00	144,061.57	17,123,765.57
East Herts District Council	65,819.15	18,429,362.00	68,703.00	18,498,065.00
Hertsmere Borough Council	43,121.10	12,073,908.00	88,116.00	12,162,024.00
North Herts District Council	51,529.00	14,428,120.00	223,436.00	14,651,556.00
St Albans District Council	64,967.70	18,190,956.00	244,244.00	18,435,200.00
Stevenage Borough Council	28,884.50	8,087,660.00	252,714.23	8,340,374.23
Three Rivers District Council	40,124.80	11,234,944.00	(247,819.34)	10,987,124.66
Watford Borough Council	35,687.70	9,992,556.00	(771.46)	9,991,784.54
Welwyn Hatfield District Council	44,511.40	12,463,192.00	(60,555.92)	12,402,636.08
TOTAL	472,109.75	132,190,730.00	696,937.93	132,887,667.93

Based on the following valuation bandings:

Table 22

Band	A	B	C	D	E	F	G	H
Proportion of Band D charge	6/9ths	7/9ths	8/9ths	9/9ths	11/9ths	13/9ths	15/9ths	18/9ths
2025/26 Charge £	176.67	206.11	235.56	265.00	323.89	382.78	441.67	530.00
2026/27 Charge £	186.67	217.78	248.89	280.00	342.22	404.44	466.67	560.00
Precept increase £ per annum	10.00	11.67	13.33	15.00	18.33	21.66	25.00	30.00
Precept increase £ per month	0.83	0.97	1.11	1.25	1.53	1.81	2.08	2.50
Precept increase £ per week	0.19	0.22	0.26	0.29	0.35	0.42	0.48	0.58
Precept increase £ per day	0.03	0.03	0.04	0.04	0.05	0.06	0.07	0.08

Graph 6



12. Reserves Strategy

Introduction

The Local Government Finance Act 1992 mandates that both billing and precepting authorities in England and Wales consider the level of reserves required to meet estimated future expenditure when determining their budget requirements. This strategy outlines a comprehensive approach to reserve management aimed at ensuring the financial resilience of Hertfordshire Constabulary for effective policing within the county.

Vision

To ensure Hertfordshire Constabulary possesses the financial resources necessary to effectively fulfil its mission of protecting the public and serving the community, while maintaining fiscal responsibility and transparency.

Background

In a dynamic environment characterised by evolving crime trends and uncertain funding, Hertfordshire Constabulary requires a robust reserves strategy to navigate unforeseen challenges. Furthermore, recent instances of local authorities facing financial difficulties and issuing Section 114 notices underscore the critical importance of a strong financial foundation for police forces. Maintaining an adequate level of general reserves is essential as a contingency fund to address unforeseen challenges, ensuring operational stability and the ability to respond effectively to emergencies.

Current Reserve Levels and Usage

As of 31 March 2025, the PCC held £15.5m (£18.4m as of 31 March 2024) in total reserves, categorised into general reserves (£12.6m) and earmarked reserves (£2.9m). In the 2025/26 financial year, £4.2m is projected to be used from reserves, primarily to address the anticipated £2.6m overspend on the revenue budget plus £1.6m in redundancy costs. This will fully deplete the Budget Support Reserve from £0.9m (31 March 2025) and further draws down the remaining £3.3m from the General Reserve (Police Fund) leaving £9.3m, which is the entirety of the

organisation's usable reserves and equates to 2.8% of the gross budget by the end of 2025/26. This level falls significantly below the Chief Finance Officer's recommended level of 5%.

The table below outlines the anticipated reserve levels held by the PCC as of 31 March 2025 and their projected use in the subsequent years.

Table 1.

Reserve	Balance	2025/26	Balance	2026/27	Balance	2027/28	Balance
	31-Mar-25	Change	31-Mar-26	Change	31-Mar-27	Change	31-Mar-28
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Base Budget Support Reserve	864	(864)	0	0	0	0	0
Road Safety Fund	1,517	(535)	982	(350)	632	(350)	282
Police Property Act Fund	69	30	99	30	129	30	159
Unconditional Funding Reserve	455	(455)	0	0	0	0	0
Total Specific Reserves	2,905	(1,824)	1,081	(320)	761	(320)	441
Police Fund	12,600	(3,336)	9,264	(2,975)	6,289	122	6,411
Total Specific and General Reserves	15,505	(7,471)	10,345	(3,295)	7,050	(198)	6,852

General Reserve

The General Reserve (or Police Fund) serves as a statutory contingency reserve to fund unplanned and emergency expenditure, such as exceptional or extraordinary policing operations and major incidents.

For the 2026/27 budget, the PCC is projected to maintain general reserves at £9.3m, representing 2.8% of the gross budget. This figure remains below the 5% threshold considered appropriate and prudent by the Chief Finance Officer. Given current limitations in both other reserves and the revenue budget, increasing this reserve to approximately £16.4m (≈5%) is not achievable at present. However, the existing level offers a degree of resilience against unforeseen financial challenges, while adhering to current budget constraints. The 2026/27 budget also takes initial steps towards improving the reserve position.

Earmarked Reserves

The table above presents the funds expected to be available in 2026/27. These funds include:

- Budget Support Reserve:** This reserve is maintained to manage the financial risks associated with day-to-day revenue expenditure and to support the management of spending fluctuations within or across fiscal years. The current

year's overspend will fully deplete this reserve, requiring future withdrawals from the General Reserve.

- b. Road Safety Fund: This dedicated fund retains the surplus income generated from the National Driver Offender Retraining Scheme (NDORS) after meeting the operational costs of the Camera Tickets and Collisions (CTC) unit. An allocation of £0.350m has been set aside for reinvestment in road safety initiatives in 2026/27. Should no additional income be transferred into this fund by the CTC and if current expenditure patterns continue, it is projected that the fund will be fully expended by 2028/29.
- c. Police Property Act Fund (PPAF): The PPAF is managed by the Chief Constable in accordance with the Police Property Act Regulations 1997. It is generated from the proceeds of the sale of goods recovered by the police that cannot be returned to their original owner. The PPAF is used for charitable purposes that support and complement local policing and crime reduction priorities.
- d. Unconditional Funding Reserve: These funds are held due to timing differences between when the income is received and when the associated expenditure occurs across different financial years. As a result, this reserve acts as a financial buffer, ensuring that the timing of grant income and related spending is appropriately aligned. It is anticipated that the balance within this reserve will be completely used during the 2025/26 financial year.
- e. Capital Reserves: The Commissioner has formally requested approval from the Secretary of State for the flexible use of capital receipts²³, allowing the organisation to use proceeds from asset sales to offset one-off redundancy costs. In 2025/26, the capital receipts balance of £0.448m was allocated for this purpose; consequently, the organisation presently holds no capital reserves arising from asset disposals.

²³ [Guidance on flexible use of capital receipts - GOV.UK](#)

Benchmarking

The table below shows Hertfordshire police's reserves-to-revenue ratio (as of 31 March 2025) is much lower than both its peers and the wider local authority sector.

Table 2.

Organisation(s)	Total reserves to Net Revenue Expenditure
Herts PCC	4.9%
England, Wales & Northern Ireland Police average ²⁴	13.3%
All English Local Authorities average ²⁵	22.4%
Herts Districts average ²⁶	30%-45%
Herts County Council average ²⁷	~15.5%

CIPFA Financial Resilience Index

The CIPFA Financial Resilience Index is a diagnostic tool developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) to help local authorities in England assess their financial sustainability and resilience. Its primary purpose is to provide a clear, evidence-based analysis of financial risk, enabling councils to benchmark their position against others and take proactive steps to address vulnerabilities.

Purpose

Risk Identification: It highlights key indicators that may signal financial stress, helping local authorities identify areas of concern.

Benchmarking: Authorities can compare their financial performance with peers, providing context for their financial decisions.

Transparency: The index fosters greater openness about financial risks, supporting better communication with stakeholders.

Early Intervention: By identifying potential issues early, it helps authorities take timely corrective actions to avoid financial instability.

²⁴ CIPFA Police Objective Analysis (POA) and Financial Resilience Index for Police.

²⁵ MHCLG Revenue Outturn (RS) 2024-25 individual local authority data

²⁶ Via Google Gemini

²⁷ Hertfordshire County Council DRAFT Annual Report and Statement of Accounts 2024/25

Methodology

The index uses a range of financial indicators based on publicly available data, focusing on key aspects of financial resilience. These include:

1. Reserves Sustainability:

Examines the level of usable reserves and their trajectory, highlighting whether they are being depleted unsustainably.

2. Debt Levels:

Assesses the burden of borrowing relative to the council's financial position and its capacity to service debt.

3. Expenditure and Funding Balance:

Analyses the gap between service expenditure and available funding, measuring reliance on one-off measures or reserves to balance budgets.

4. Tax and Revenue Indicators:

Looks at reliance on council tax as revenue sources and the volatility or growth trends in these areas.

5. Income Generation:

Evaluates the authority's ability to generate additional income streams to support core services.

The tool generates a relative risk score for each indicator, ranking authorities from low to high risk. This allows councils to see where they stand in relation to others and prioritise actions to strengthen their financial resilience. The index is updated annually to reflect changes in financial conditions and incorporates the latest data to ensure relevance.

Hertfordshire's Financial Resilience Score

As outlined in Appendix 1, Hertfordshire's financial resilience, as evaluated by CIPFA as of 31 March 2024, the most recent data available, ranks seventh lowest among the 43 police forces across England, Wales, and Northern Ireland. Hertfordshire

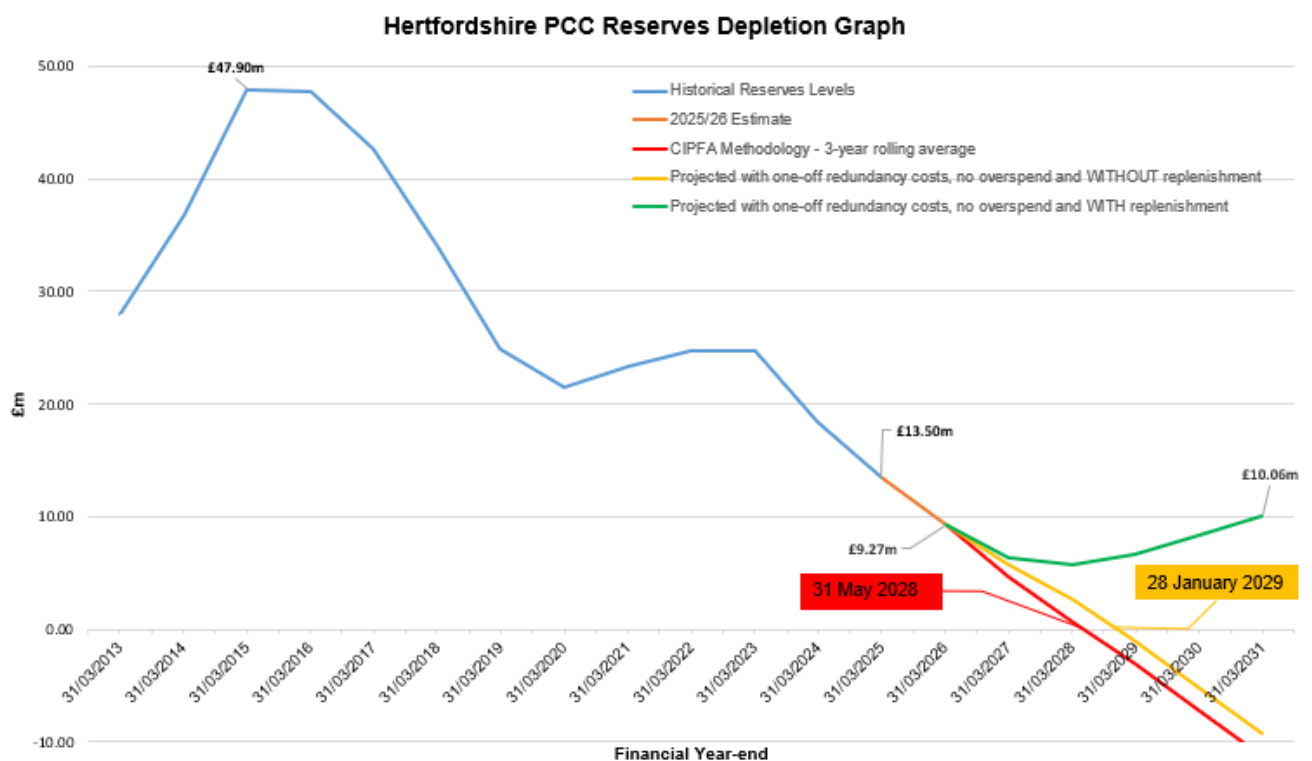
received a score of (15.41), which is notably below the national average of +11.20²⁸. Additionally, Appendix 2 indicates that within Hertfordshire's Most Similar Group (MSG), the force ranks second lowest, compared to the group average of +12.76²⁹.

The graph presented overleaf illustrates the potential trajectory for Hertfordshire's reserves under several scenarios. If the existing pattern of overspending persists, excluding any anticipated one-off redundancy payments, the organisation's total reserves are projected to be entirely depleted by the end of May 2028. This scenario highlights the urgent need to address ongoing overspends to safeguard financial stability. Furthermore, in the event that overspending ceases from 2026/27 onwards and only the planned one-off redundancy costs are incurred, reserves would still be exhausted, albeit at a later date, specifically, by January 2029, which is eight months beyond the previous scenario. This underscores the significant impact that even isolated pressures, such as redundancy payments, can have on the authority's financial resilience. However, implementation of the proposed reserve replenishment strategy is expected to avert the total depletion of reserves. The plan involves restoring reserves by £0.5m in 2026/27 and an additional £1.9m in 2027/28, amounting to £2.4m per annum. If this approach is successfully executed, reserves are forecast to gradually recover, reaching approximately 5% by the end of the 2032/33 financial year.

²⁸ Ranges from +57.16 for North Wales to -36.46 for Nottinghamshire

²⁹ Ranges from +42.36 for Thames Valley to -19.66 for Leicestershire

Graph 1



The Chief Finance Officer remains concerned about declining reserves, a problem made worse by ongoing budget challenges, rising costs from inflation, and increasing demand for services. Current forecasts show that the organisation's reserves are being used up at an unsustainable rate, which could seriously threaten financial stability if not addressed. The situation is being closely monitored to ensure the organisation can continue meeting its statutory obligations. Should finances worsen further and current corrective actions fall short, the Chief Finance Officer is prepared to take necessary steps, including issuing a Section 114 notice, to protect both compliance and the organisation's financial health. Although steps are being taken to tackle these financial issues, it is crucial to guard against overconfidence or complacency and alert to the potential for optimism bias. Underestimating the seriousness of the situation could mean requesting Exceptional Financial Support (EFS) from the Government, which may lead to financial and reputational consequences for the organisation.

Implementation and Considerations

While acknowledging the current financial pressures facing police forces across the nation, Hertfordshire recognises the paramount importance of maintaining adequate reserves. Responsible utilisation is equally vital, and the proposed strategy balances

flexibility with fiscal prudence. By adopting a well-defined and adaptable reserves strategy Hertfordshire can achieve financial resilience and preparedness for unforeseen challenges.

The table below assesses Hertfordshire's current compliance with CIPFA's seven key principles for adequate reserves.

Table 3.

Budget assumptions	Current situation
The treatment of inflation and interest rates	<p>Hertfordshire makes full and appropriate provision for pay and price rises, as appropriate. With affordability being a key consideration police officers pay inflation is determined by the government following recommendation from the Police Remuneration Review Body (PRRB) and police staff is via negotiation through the Police Staff Council.</p> <p>An informed assessment is made of interest rate movements using external sources such as Bank of England (BoE), Office of National Statistics (ONS), Office for Budget Responsibility (OBR), and external independent advisors.</p> <p>All individual income and expenditure lines within the revenue budget are prepared and published at estimated outturn prices.</p>
Estimates of the level and timing of capital receipts	We make a judicious assumption of future capital receipts. Currently there are £24.0m of planned capital receipts over the medium-term.
The treatment of demand led pressures	The Constabulary has identified the need for £11.6m of cashable savings which will be removed from the budget over the next four years (2026/27 to 2029/30).

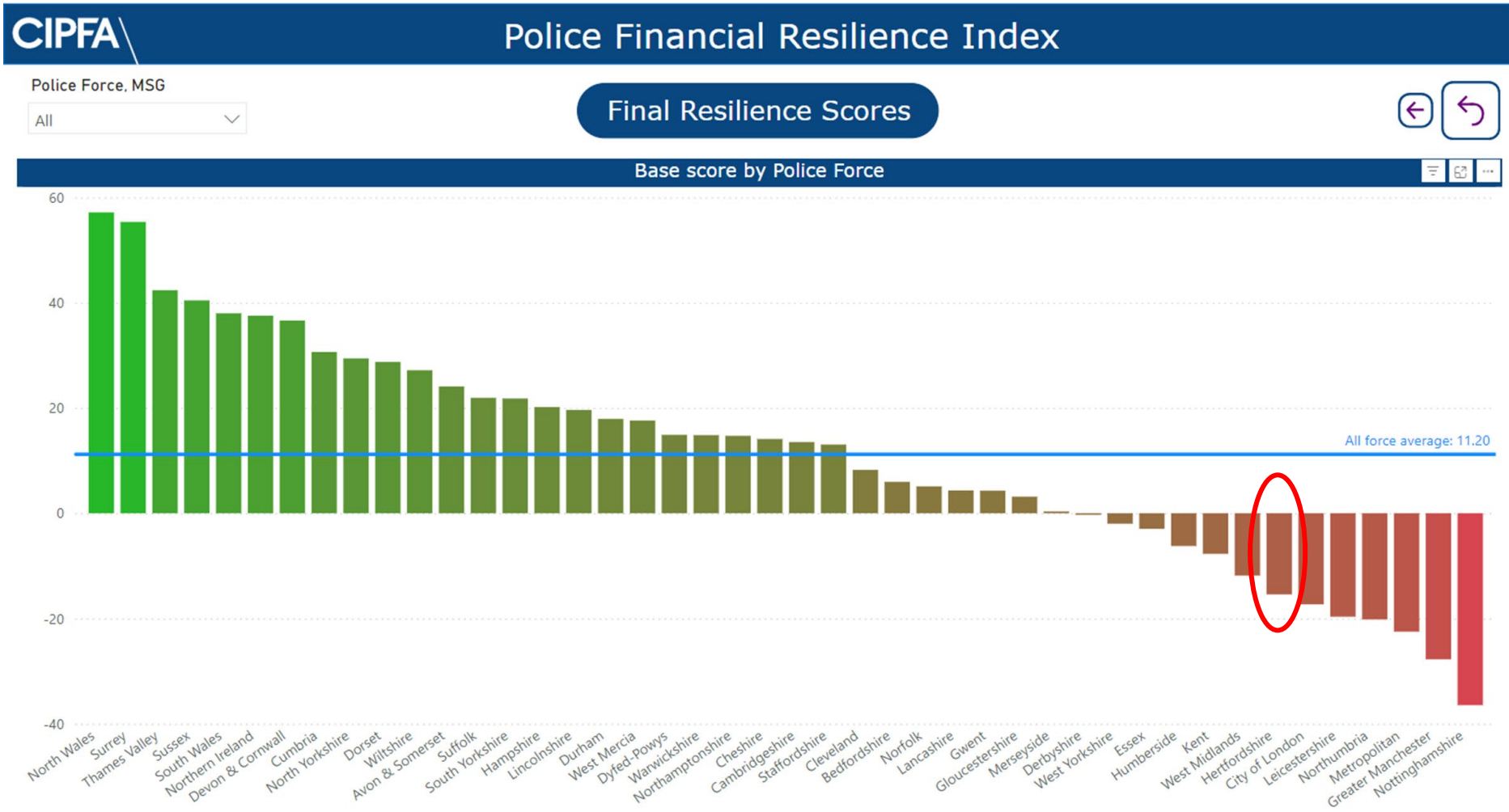
	<p>Some government grants are announced annually in advance and are cash limited. Any new policing pressures arising during the year will have to be funded from the organisation's own resources.</p> <p>The Commissioner had created earmarked revenue reserves to help finance potential specific, ad-hoc expenditure, but these have will been exhausted as at 31 March 2026.</p> <p>Ordinarily, where sufficient resources exist, appropriations are made to and from these reserves on an annual basis, as required.</p> <p>Finally, the general reserve is used as a last resort to manage extraordinary unforeseen spending requirements and not to shore up the day-to-day revenue expenditure.</p>
The treatment of planned efficiency savings/productivity gains.	<p>The medium-term plan anticipates a funding gap of circa. £11.6m from 2026/27 if there are modest council tax increases in each year of £14. All savings are assessed in terms of deliverability.</p>
The financial risks inherent in any significant new funding partnerships, collaboration, major outsourcing arrangements, or major capital developments	<p>The financial consequences of working collaboratively, outsourcing arrangements and 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. However, there is a clear risk of losing funding from local authority partners. They may withdraw their support for initiatives such as match funded PCSOs or joint estates, because of changing priorities or</p>

	<p>budget constraints. In that case, we would try to offset the loss by reducing any grants payable to them. Moreover, the financial viability of private sector service providers may face increased risks from inflationary and supply-chain pressures.</p> <p>The total capital programme is expected to be in excess of £75m over the medium-term, mostly financed by debt. Servicing this debt (interest payments and principal repayments or minimum revenue provisions) will come from revenue resources. Fixed-rate loans mitigate interest rate risks, but any significant pre-borrowing uptick in rates could still impact revenue.</p> <p>Following the recent budget PWLB borrowing rates have increased significantly and so the timing of any loan debt is crucial in interest rates</p>
<p>The availability of reserves, government grants, and other funds to deal with major contingencies and the adequacy of provisions</p>	<p>As set out above the availability of reserves is expected to reduce to £9.3m by the end of 2025/26.</p> <p>The access criteria for Home Office 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 and equates to approximately £2.9m.</p> <p>The external auditors, KPMG, are required to conduct a VFM assessment, to assess the organisations' ability to continue as a going concern.</p>

<p>The general financial climate to which the authority is subject.</p>	<p>Inflation and Monetary Policy</p> <p>UK inflation remains above the Bank of England's 2% target, with CPI rising to 3.4% in December 2025 and core CPI steady at 3.2%. Price pressures were driven by tobacco duty changes and seasonal airfare increases. Despite a recent rate cut, policymakers remain cautious. Bank Rate is projected to fall to around 3.25% by mid-2026.</p> <p>Government Finances</p> <p>High government borrowing increased short-dated gilt issuance, and fiscal credibility concerns continue to keep borrowing costs elevated. Public-sector funding settlements, including policing, are likely to remain tight.</p> <p>Labour Market</p> <p>The labour market continues to soften with unemployment rising to 5.1% (three-month rate) and wage growth remaining elevated. Workforce planning must account for sustained pay-related cost pressures.</p> <p>Police Funding Outlook</p> <p>National economic pressures imply tight policing settlements, higher capital financing costs, and continued reliance on local precept flexibility.</p> <p>Financial Planning</p> <p>Weak GDP growth (0.1% in Q3 2025) suggests limited fiscal headroom. Medium-</p>
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	<p>term planning should assume restricted grant increases and elevated cost baselines.</p> <p>Cost Control</p> <p>Service-sector inflation remains strong, creating pressure on contracted services such as ICT, estates, and fleet. Cost-management strategies remain essential.</p> <p>Resource Allocation</p> <p>Funding constraints require prioritisation of resources, strong business cases for investment, and careful balance between pay and non-pay budgets.</p> <p>Collaboration</p> <p>Collaboration across forces, shared procurement, joint units, and shared digital platforms, can mitigate inflation pressures.</p> <p>Contingency Planning</p> <p>Inflation volatility, uncertain interest-rate paths, and weak economic momentum require scenario-based planning, including contingencies around pay awards, contract inflation, and capital financing.</p>
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Appendix 1 - England, Wales & Northern Ireland Comparison



Appendix 2 - Most Similar Group (MSG) Comparison



13. Section 25 Report – Robustness of Estimates and Adequacy of Reserves

1. Statutory context and basis of opinion

Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (s151) to report to the authority on the adequacy of reserves and the robustness of the estimates made for the purposes of the budget calculations. In forming this opinion, I have considered the 2026/27 revenue budget, the Medium-Term Financial Strategy (MTFS), the provisional funding settlement, the taxbase and collection fund returns received from billing authorities, identified savings and investments, and known and emerging risks.

2. Robustness of estimates – assessment

2.1 Funding and grant risk

Government grants remain the single largest funding source. While a cash increase is indicated for 2026/27, the late and partial nature of the settlement and the absence of full detail on consolidations create planning risk. The estimates assume moderate grant growth over the MTFS but recognise exposure to national fiscal constraint and potential policy change.

2.2 Inflation and macroeconomic risk

General CPI is assumed to ease over the MTFS; however, service-sector and contract inflation may persist above headline CPI. The budget includes an inflation contingency and cost-control measures, but there is risk of pressure on ICT, estates and fleet contracts if inflation proves stickier.

2.3 Pay awards, workforce and pay drift

Assumptions include police and staff pay awards of c.3% in 2026/27, with risk around national pay settlements and drift as officers and staff move through pay points. Workforce plans include vacancy and redundancy programmes; delivery risk remains, given prior year under-delivery and timing of voluntary exits.

2.4 Standstill pressures

The standstill requirement for 2026/27 is significant, driven by pay, non-pay inflation, capital financing (including HQ redevelopment) and reserve replenishment. These

pressures are structural and represent a key risk to estimates if underlying assumptions vary.

2.5 Sensitivity analysis

A 1% movement in key variables (e.g., police pay, staff pay, utilities, supplies, grant, precept and taxbase) has been modelled and demonstrates material exposure. I have considered these sensitivities in forming this opinion.

2.6 Capital programme and borrowing

The capital programme will be financed predominantly by borrowing and capital receipts. Affordability depends on interest-rate trajectory, timing of borrowing, and MRP growth. Fixed-rate products and phasing will be used to mitigate risk; nevertheless, adverse rate movements could increase revenue pressure.

2.7 National programmes and external dependencies

Slippage and scope changes in national programmes (e.g., ESN) may require in-year responses and create unfunded pressures.

2.8 Council tax – precept, taxbase and collection fund

The budget relies on a £15 Band D precept increase and modest taxbase growth. The collection fund has shown volatility across districts; while a surplus is forecast for 2026/27, year-to-year swings remain a material risk. Public acceptance of the precept and delivery of Local Council Tax Support policies also affect income.

2.9 Income volatility and partnerships

NDORS-linked income is inherently self-limiting (success in road safety reduces income). In addition, several partners have withdrawn or reduced contributions to PCSO posts. This creates volatility and potential structural pressure in the base budget.

2.10 Legal claims and insurance

Actuarial advice indicates a level of exposure for self-insured claims that exceeds current headroom, heightening the risk of in-year calls on reserves if claims

crystallise above provision.

2.11 Demand-led operational pressures

While demand is assumed to be broadly stable, unforeseen events, serious and organised crime, safeguarding, and complex investigations could require additional overtime and non-pay spend. Enhanced tasking and analytical capability will help manage this risk.

2.12 Governance change and CSR risk

Potential structural reform of PCC governance and any future police force reorganisation may create transitional cost and capacity pressures. The next Comprehensive Spending Review could change grant trajectories or attach further conditions to funding.

2.13 Optimism bias and forecasting discipline

Explicit allowance has been made for optimism bias risk. Strengthened in-year monitoring, scenario planning and early corrective action are integral to maintaining robustness.

2.14 Structural Reform

The Government's proposals for abolishing PCCs in 2028, alongside expected reforms from the Police Reform White Paper, present material medium to long-term financial and organisational risks. These reforms may require substantial transitional resources, including workforce capacity, ICT migration, governance redesign, and legal and programme-management support. Historic LGR programmes have demonstrated the potential for significant unfunded transition costs if government funding is not clearly defined. Reorganisation may overlap with existing transformation programmes e.g. Local Government Reorganisation (LGR), increasing delivery pressures. Scenario planning, active engagement with the Home Office and MHCLG, and lobbying for full reimbursement of transition costs will be essential.

3. Adequacy of reserves – assessment

Usable reserves are forecast to reduce to a level materially below the previously recommended 5% of net revenue expenditure by the end of 2025/26, reflecting revenue overspends and one-off redundancy costs. Scenario analysis indicates that, absent corrective action, reserves could be depleted within the medium term. The MTFS includes an initial replenishment plan and reduced reliance on reserves for recurrent spending. Given the risk environment, I judge reserves to be at the lower end of adequacy and highly dependent on strict delivery of the savings programme, robust in-year financial control, and the avoidance of using reserves to support recurring expenditure.

4. Chief Finance Officer opinion

Having considered the matters set out above, including the sensitivity of key assumptions, external dependencies and the current level and trajectory of reserves, I judge the estimates for 2026/27 to be sufficiently robust and the level of reserves to be adequate for the purposes of Section 25 of the Local Government Act 2003, subject to the following material conditions and mitigations:

- Delivery of the identified £6.886m savings in 2026/27 and the wider MTFS savings requirement, with strengthened programme governance, monthly reporting, and clear accountabilities.
- Maintenance of a strict in-year spending discipline, including vacancy controls, overtime controls, benefits tracking for investments, and rapid corrective action where adverse variances emerge.
- Active management of the capital financing strategy (borrowing timing, fixed-rate hedging, and phasing) to protect the revenue budget.
- Continued engagement with Government on funding, pay awards and special grants, alongside transparent public and stakeholder engagement on the precept.
- Implementation of the reserves replenishment strategy and avoidance of using reserves for recurrent spending except in extremis.
- Enhanced monitoring of collection fund performance, taxbase movements, and partnership contributions to identify and address volatility early.
- Clear treatment of optimism bias in forecasts and the use of scenario planning for credible downside cases.

5. Management actions and contingency

Together with the Constabulary's s151 officer, I will ensure thorough financial oversight by providing regular updates to the Commissioner and Chief Constable, covering risk-adjusted savings delivery and forecasts of reserves. If there is significant deterioration in our financial position, I will follow established governance procedures, which may include implementing spending controls and opening early discussions with the Home Office and MHCLG. As the s151 Officer, I am prepared to take all statutory actions required to fulfil my fiduciary responsibilities, including considering a Section 114 report if necessary.

Ian Rooney CPFA FCCA FMAAT AffilACT
Chief Finance Officer (s151)