



Essex County Council

Essex Police, Fire and Crime Panel

14:00	Monday, 22 January 2018	Committee Room 1, County Hall, Chelmsford, CM1 1QH
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For information about the meeting please ask for:

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3	Questions to the Chairman from Members of the Public The Chairman to respond to any questions relevant to the business of the Panel from members of the public.	
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9 Date of Next Meeting

To note that the next meeting will be held at 2.00 pm on Thursday 15 February 2018, in Committee Room 1, County Hall, Chelmsford.

10 Urgent Business

To consider any matter which in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency.

Exempt Items

(During consideration of these items the meeting is not likely to be open to the press and public)

To consider whether the press and public should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part I of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, Members are asked to decide whether, in all the circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

11 Urgent Exempt Business

To consider in private any other matter which in the opinion of the Chairman should be considered by reason of special circumstances (to be specified) as a matter of urgency.

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Agenda item 1

Committee: Essex Police, Fire and Crime Panel

Enquiries to: Robert Fox, Senior Democratic Services Officer

Membership, Apologies, Substitutions and Declarations of Interest

Recommendations:

To note

1. Membership as shown below
2. Apologies and substitutions
3. Declarations of interest to be made by Members in accordance with the Members' Code of Conduct

Membership

(Quorum: 5)

Councillor K Smith
Councillor W Schmitt
Councillor C Hossack
Councillor G Isaacs
Councillor B Shepherd MBE
Councillor M Lilley
Councillor S Kane
Councillor J Jowers
Councillor T Durcan
Councillor P Channer
Councillor M Webb
Councillor A Holland
Councillor L McWilliams
Councillor J Redsell
Councillor J Gordon
John Gili-Ross
Kay Odysseos

Representing

Basildon Borough Council
Braintree District Council (Vice-Chairman)
Brentwood Borough Council
Castle Point Borough Council
Chelmsford City Council
Colchester Borough Council
Epping Forest District Council
Essex County Council (Chairman)
Harlow District Council
Maldon District Council
Rochford District Council
Southend Borough Council
Tendring District Council
Thurrock Borough Council
Uttlesford District Council
Independent Member
Independent Member

Minutes of the meeting of the Essex Police, Fire and Crime Panel, held in Committee Room 1 County Hall, Chelmsford, CM1 1QH on Thursday, 07 December 2017**Present:**

Wendy Schmitt	Braintree District Council
Colin Riley	Castle Point Borough Council
Bob Shepherd	Chelmsford City Council
John Jowers	Essex County Council (Chairman)
Penny Channer	Maldon District Council
Mike Webb	Rochford District Council
Ann Holland	Southend-on-Sea Borough Council
Lynda McWilliams	Tendring District Council
John Gili-Ross	Independent Member (via telephone link)

1 Apologies for Absence and Notices of Substitution

Kerry Smith	Basildon Borough Council
Godfrey Isaacs with	
Colin Riley as his substitute	Castle Point Borough Council
Mike Lilley	Colchester Borough Council
Sam Kane	Epping Forest District Council
Tony Durcan	Harlow District Council
Joycelyn Redsell	Thurrock Council
Kay Odysseos	Independent Member

2 Declarations of Interest

There were declarations of interest from:

Councillor Channer as a former member of the Essex Fire Authority and being the Cabinet Member Deputy at Essex County Council for Children and Families.

Councillor Holland due to her son being a police officer.

Councillor Jowers as a former member of the Essex Fire Authority.

Councillor McWilliams due to her son being a police officer.

Councillor Riley due to his son being a fire officer.

Councillor Schmitt as a former member of the Essex Fire Authority.

3 Minutes

The minutes of the meeting held on 13 November 2017 were approved as a correct record and signed by the Chairman.

4 Questions to the Chairman from Members of the Public

There were none.

5 Essex Police: Demand Review

The Chief Constable of Essex, Stephen Kavanagh was in attendance for this item. In introduction Mr Kavanagh paid tribute to all police officers in the county.

Since 2010 £77m of savings have been achieved. With these efficiencies and from the perspective of being the lowest funded force in the country Essex Police are still in a very strong position with real transformation on how it operates as a force. In responding to new crimes and increasing levels of demand, police officers have been deployed to address these challenges and in order to do this, some have been taken away from localities; PCSOs have been reduced from 400 to 100 – The value for money aspect of this is being explored with HMICFRS as monies have been invested back into the front-line at a rate greater than that of any other force in the country. Essex Police remains one of the most efficient forces in the country accordingly to HMICFRS VFM indicators. Essex Police is judged as good in relation to recent PEEL inspection judgements, The Essex Police back office also operates very efficiently. There is a full recruitment of officers until mid-2018. Sustainability conversations are taking place with the Commissioner. Social media has been used to good effect in recruitment, including for the special constabulary. Until the budgetary statement is forthcoming further recruitment beyond the mid-point of 2018 is under review. With regard to the graduate scheme, Mr Kavanagh, explained that 10 young people who recently completed university had six weeks of full police training and have been placed into local districts looking at local problems and problem-solving. It is hoped that a further 10 can be recruited next year as well as retaining the current intake.

Demand places significant challenges on the force. Mr Kavanagh informed the Panel that there are officers who have concerns that they are unable to provide the responses they would like to, in terms of crime prevention, and the force has had to become increasingly responsive. However, in terms of crime prevention good work is still taking place around gang culture from London infiltrating into the county. The force delivers above what could be expected given its level of funding as benchmarked by PA Consulting. Essex Police is an ambitious force but also needs to be an effective leader. The PA Consulting analysis showed that Kent Police has 400 more officers than Essex and the PA analysis showed that Essex Police would need at least an additional 288 officers to reflect demand pressures in relation to public protection issues. Essex is always going to be a lean, yet cost-efficient, police force and to get to the national average would need over an additional 900 officers in local policing.

Mr Kavanagh stated he is making sure that Essex maintains its position on tackling digital crime and that there is a pilot scheme being tested in Essex,

at present, which has the potential to be a model for forces across the country. The Essex force was the first to launch Athena and are receiving national awards for digital which are a credit to Gareth Nicholson of Essex Police Communications. The Chief Constable is the national lead on the Crystallise digital project which enables more effective investigation. The project will be at the heart of the future national operating model and is currently being piloted in the north of the county. Cloud based and mobile technologies are being introduced to good effect replacing archaic computers. Mr Kavanagh committed to providing Councillor Schmitt with a briefing on all digital pilot schemes.

With regard to the Mental Health and wellbeing of officers and staff, Mr Kavanagh assured the Panel that officers receive all the support they need and Occupational Health referrals are now dealt with, largely, within the same week rather than the three months they were taking previously. There is also mindfulness training available. With regard to the public, Mental Health triage teams work from 6 a.m. until 2 a.m. with availability of a Mental Health practitioner to provide appropriate care and advice – this has vastly reduced the number of citizens going into custody with mental health issues and improved dignity. Mr Kavanagh committed to providing Councillor McWilliams with a mental health briefing on a pilot scheme based in Tendring

There has been a sustained change in how crime in the county takes place – and, on analysis, there is an increase in crime harm factors. There is a higher demand with fewer officers; and there is concern over 999 response times and the 101 system, although this has now started to show significant improvement. The force is currently looking at the outcomes of changes that have been made and the appropriateness of responses in terms of crime committed. The Active Citizen programme is going very well with over 100 citizens assisting with crime prevention advice, raising awareness, and speedwatch.

Any additional funding for the police in Essex would be invested into community policing, Mr Kavanagh stated.

The Chairman of the Panel thanked Mr Kavanagh for the update and suggested he be invited to attend the Panel more often in the future; and complimented the Essex Police force for its hard work and dedication to the people of the county.

6 2018/19 Budget Scene Setting

Roger Hirst, Essex Police, Fire and Crime Commissioner; Charles Garbett, Treasurer, OPFCC; and Susannah Hancock, Chief Executive and Monitoring Officer, OPFCC were in attendance for this item. The Commissioner provided an update on the progress on the Essex Police and the Fire and Rescue Services' budgets for 2018/19.

The Commissioner informed the Panel the Police service has a strong evidential base for what is needed for policing delivery over the next few

years. The Association of Police and Crime Commissioner's has submitted a funding letter to the Home Office. The funding for police forces across the country will be known prior to Christmas. National police funding is inflation protected, unlike local policing. Pressures on policing mean that the expansion of the council tax base should be agreed by central government to enable forces to be modernised.

Current levels of funding have meant that crime prevention measures are affected with resource diverted into reactive policing. The Chief Constable has been given assurances that the Commissioner is fully with him on delivering the type of policing the county needs. An increase in the number of officers this year does have implications for next, however, unless there is a funding increase, particularly as Essex is the most tightly funded police force in England and Wales, which now has a good rating across the board from HMICFRS for which the Commissioner thanked the Chief Constable. There has been an ongoing programme of improving efficiency in the force.

During this financial year the force has received a high level of capital receipts, in the region of £24m, from the disposal of redundant premises. This has been used to modernise other premises so they are fit-for-purpose and invest into modern technologies, such as £1.4m to be spent on apps on police mobile telephones.

The 2018/19 precept is going to have to be increased, but the question remains by how much? The cap should be lifted to have a more material increase than £5 per resident. Indeed, £50 per resident would enable Essex Police to improve the service to residents greatly, but this could be a difficult and controversial process.

In contrast the Essex Fire and Rescue Service are in a much more stable financial position, but are still delivering efficiencies. Necessary savings up to 2020 providing the precept by 2% which is likely to be the proposition to the Panel in the new year.

The following points were made during the ensuing discussion:

- Any precept referendum will be very expensive to administer and have to be a simple Yes or No response to raising council tax; therefore, the ideal situation would be for the Home Office and Treasury to remove the current cap
- The feedback from the precept survey was that two-thirds of residents would be willing to pay extra
- There will be two separate police and fire precepts and budgets

The proposed precepts will be presented to the January meeting of the Panel.

7 Essex County Fire and Rescue Service: Culture change following the Lucas review

The Commissioner stated the 240 pages in the agenda for this item reflected the complexities. The Lucas Review was commissioned by the

former Essex Fire Authority and undertaken by Irene Lucas. It was very overt in the report that the culture of the Essex Fire and Rescue Service needed significant change. Whilst the service was still effective for the public there were major internal issues within its culture that needed to be addressed. The current Chief Fire Officer, Adam Eckley, who was in attendance, was commended by the Commissioner.

The Commissioner stated the 240 pages of the report were important to enable the Panel to have a good understanding of the problems and the way cultural change needs to be achieved. Conduct and disciplinary procedures are being worked on presently and this is important work for the Panel to understand.

The Commissioner stated he had visited a large number of fire stations and watches and the feedback is that the environment is still unnecessarily stressful, but is improving and officers now feel more empowered to say that. The fire officers need to be aware they have the complete support of all they are going to work with and not to be overly challenging with each other.

The recruitment of a new Chief Fire Officer has been an open, independent, transparent and competitive process which had a good level of response. It was open to both fire and non-fire candidates. An interview panel made up of the Commissioner, the Chief Executive of Thurrock Council; the Chairman of Safer Essex; a Cabinet Member of a district council; a Home Official who is also a former experienced Chief Fire Officer, and the Chief Exec of the OPFCC have been appointed and have shortlisted down to the final four candidates. All candidates had very strong CV's – some with current or prior fire officer experience. The interviews are to take place week commencing 11 December and will include panel interview, media mock-up exercise, drafting a staff communication, psychometric testing and meeting the heads of the other emergency services in the county. It is hoped there will be an appointment during week commencing 18 December. It is anticipated that there will be a confirmation hearing for the preferred candidate at the Jan panel meeting.

It was agreed, following a proposal by the Commissioner, that the Panel's Ethics and Integrity Sub-Committee works through the detail of the Lucas Review and other subsequent reports. This work would start at the Sub-Committee's next meeting in February/March 2018.

8

Feedback report from the PFCC Precept Public Survey

The Commissioner was joined by Darren Horsman, Assistant Director Comms OPFCC for this item.

There has previously been anecdotal and narrative evidence that residents wish to see more policing in their localities and are willing to pay for it. The survey undertaken included a few simple questions: would you like to see the 2% precept cap lifted? Would you wish to have more policing and would you be willing to pay for it and by how much from £5 per week, up to £75 per week. There was a free text box to enable responders to make

additional comments.

It was clear from responses that residents do wish to see more local visible neighbourhood policing. Responses indicate 66% would be prepared to pay for more policing; 65% would wish to see the 2% cap lifted, with 75% indicating they would pay £10 or more; with 16% indicating they would pay £5 extra.

Overall, it was an encouraging response with over 5,000 replying to the survey within a fortnight. The survey has been used to encourage the Policing Minister to lift the 2% cap. The majority of PCCs are supportive of raising the cap.

Essex MPs have been addressed by the Commissioner at Westminster and have also signed a letter to the Policing Minister supporting the initiative.

The Commissioner was thanked for his overview of the survey by the Chairman of the Panel.

9 The Police and Crime Commissioner Decision Report

The decisions on the report were noted.

10 The Police, Fire and Crime Commissioner to update the Panel on On-going issues

The on-going issues had been dealt with under other agenda items.

11 PCC Annual Report 2016-2017

The report EPCP/29/17 was approved by the Panel.

12 Minutes of the 9th November meeting of the Ethics and Integrity Sub Committee

The Chairman of the Panel provided a verbal report to accompany the minutes of the above meeting, which were noted.

13 Forward Look

The Panel's Forward Look was noted.

14 Date of Next Meeting

The next meeting will now be on **Monday, 22 January 2018 at 2.00 p.m.**, in **Committee Room 1, County Hall**. The change of date was noted. It was confirmed the Panel would meet at Kelvedon Park at future meetings in 2018.

With no urgent business or exempt urgent business the meeting closed at 3.59 p.m.

Chairman

Meeting: Police Fire and Crime Panel for Essex
Date: 2.00pm; 22nd January 2018
Venue: County Hall, Chelmsford

Proposed Police Precept for 2018-19

Contacts: Roger Hirst, Police, Fire and Crime Commissioner (PFCC) for Essex,
Charles Garbett, Treasurer

1. Purpose of Report

- 1.1 To present the PFCC's proposed police precept for 2018-19.
- 1.2 The PFCC has set out his vision and seven policing priorities in the Police and Crime Plan 2016-2020 (follow link: <http://www.essex.pcc.police.uk/priorities-for-essex/police-and-crime-plan/>). The overall level of resources to fund policing and crime reduction work makes an important contribution to building safe and secure communities.
- 1.3 Members are requested to refer to the budget scene setting report approved at the last meeting of this Panel on 30th November 2017. This report builds on the content of that scene setting report and avoids repetition wherever possible. Essex Police have been independently recognised by Her Majesty's Inspectorate of Constabularies (now HMICFRS) as providing a good service in terms of legitimacy, efficiency and effectiveness. However it remains the tightest funded force per resident of any force in the country.
- 1.4 As shared with the Panel by the Chief Constable on 30th November 2017, a detailed analysis has shown that if we want to tackle new, increasingly complex forms of crime, invest in prevention and deliver the visible policing presence that our communities want, we need to increase what we spend on policing in Essex. This analysis has formed the basis of our discussion with the Home Office and helped secure an improved financial settlement.
- 1.5 Since the last PFC Panel meeting, the Government have issued a Draft Provisional Police Grant Report for 2018-19 with finalised figures expected shortly. In broad terms the Government will:
 - Protect the grant it pays to forces in cash terms
 - Empower PCCs to raise council tax contributions, with the agreement of this Panel by up to £12 for an average Band D property
 - Provide an additional £450 million extra in funding for policing nationally

1.6 The PFCC has also completed a public survey on the precept which showed the following:

- Approximately two-thirds (65%) of people said that if the Government agreed to it, they would be prepared to see the cap lifted so that more Council Tax could be raised and made available for policing in Essex.
- Three quarters (75%) of people who gave a view said they were prepared to contribute an additional £10 or more per annum to invest in policing and the majority of people said they were prepared to contribute over £20.

2. Precept Proposal

2.1 The PFCC proposes a precept increase of 7.6%, equivalent to an increase of £11.97 a year from £157.05 to £169.02 for a Band D property, raising £7.5m of additional council tax receipts.

2.2 Details of how the new money will be spent is found in paragraph 4.7. In summary:

- 75% of the new funding will be invested in local and neighbourhood policing.
- Over the next few months, with the Chief Constable, we will work through exactly where additional money will be spent and develop a specific plan for each district and unitary council.

2.3 The Police, Fire and Crime Panel is invited to review and report back to the PFCC on his proposed precept.

3. PFCC Funding

3.1 The PFCC's proposed net revenue budget of £277.4m for 2018-19 is financed approximately two thirds by Government grant and one third by Council Tax.

3.2 The Provisional Police Grant Settlement for 2018-19 provides the same level of funding as 2017-18. The Government's headline statement is that Police will receive the same level of government grant for both 2018-19 and 2019-20. Moreover, the PFCC will be able to increase the Band D precept by up to £12. The position for Essex is set out in Table A below.

Table A: Provisional Government Grant 2018-19 compared with 2017-18

Funding	2017-18 £m	2018-19 £m	Difference £m	% Change
Home Office Core Grant	101.3	101.3	Nil	Nil
Home Office Formula Grant (Ex-DCLG Grant)	55.1	55.1	Nil	Nil
Legacy Council Tax Grants	13.1	13.1	Nil	Nil
Total Provisional Government Grant (63% of total for 2018-19)	169.6	169.6	Nil	Nil
Council Tax Precept: i) Increase in the tax base ii) Increase in precept	92.6 1.7 <u>3.1</u> <u>97.4</u>	97.4 1.3 <u>7.5</u> <u>106.2</u>	-0.4 <u>4.4</u> <u>8.8</u>	9.0
Collection Fund Surplus	1.9	1.6	-0.3	-15.8
Total Council Tax receipts (37% of total for 2018-19)	99.3	107.8	8.5	8.6
Total Funding	268.9	277.4	8.5	3.2

3.3 The Council Tax precept income shown in the above table consists of two changes from 17/18 totalling £8.5m:

- i) An increase in the precept Band D of £11.97 from £157.05 in 2017-18 to £169.02 in 2018-19; an increase of 7.62% and increasing council tax receipts by £7.5m.
- ii) A year on year increase in the tax base from 620,121 to 628,600 Band D equivalent properties; an increase of 8,479 properties (i.e.1.3%) and increasing council tax receipts by £1.3m.

3.4 This favourable settlement, maintaining a broadly flat settlement with the same precept flexibility allowing much needed investment into Essex Police, could also extend into 2019/20. This would depend on progress against a number of efficiency milestones to be agreed in the New Year.

4. Using additional funds to meet priorities of the Police & Crime Plan

4.1 Presenting the 2018-19 Budget provides a timely opportunity to set out the resources required to meet the seven service priorities and aims set out in the Police and Crime Plan for keeping Essex safe. The 2018-19 budget has been developed working alongside the Chief Constable and his Chief Officer Management Team.

4.2 The 2018-19 budget requirement is £277.4m and an analysis of the budget is contained within the following appendices:

Appendix A: A high level 2018-19 budget overview showing the movement between the 2017-18 original budget and 2018-19 budget requirement.

Appendix B: A more detailed analysis of the movement between the original budget for 2017-18 and 2018-19. The analysis provides additional information on budget changes relating to:

- Unavoidable cost pressures
- New investment enabled by the precept increase
- Strategic change savings

Appendix C: 2018-19 Revenue Budget – Subjective Analysis

Appendix D: Letter from the Chief Constable requesting a precept increase of 7.6%.

4.3 The financial position for the PFCC for 2017-18 shows a forecast overspend of £1.1m for 2017/18 as presented to this Panel on 7 November 2017. The financial position has since been managed downwards and for the nine month period to 31st December 2017 the forecast budget overspend is £0.7m. The sound financial management of the PFCC and Essex Police is recognised by HMICFRS in their most recent inspection assessment reported at the last meeting of this Panel.

4.4 The PFCC has identified particular priorities within the Police and Crime Plan that are incorporated into his 2018-19 budget proposals for new investment, amounting to £9.611m.

4.5 A detailed breakdown of this investment is listed below.

Increase in local policing (£5.006m) - £5.9m on a full year basis

Increase in police officer establishment from 2,850 to at least 3,000 by March 2019. This includes additional funding for uniforms, recruitment activities (vetting, HR and business services), IT and training. The deployment of the additional 150 police officers to each district area of Essex will be determined and agreed prior to the start of the financial year 2018-19.

Crime Data Integrity Training (£0.181m)

This investment enables Essex police to ensure that reported crime is recorded accurately in line with improving Home Office Counting Rules (HOCR) and National Crime Recording Standards (NCRS).

Detective Pathway & Unmanned Aerial Vehicle (UAV)/Drone investment (£0.025m)

Investment needed to continue to support encouraging sufficiently qualified and ambitious staff to become detectives' by providing manuals, access to on-line questions and answers and access to training courses.

Training income opportunities are being explored for UAVs. UAV use is likely to negate National Police Air Service requirements in the future and the impact and scale of use need to be explored.

Service changes to address challenges (£0.913m)

A range of essential investments including:

- i) Increased support and maintenance for over 50 computer applications/systems.
- ii) Additional rents for co-location.
- iii) Increased use of NPAS
- iv) Outsourcing of digital forensic cases where there is no in-house capability
- v) Media & Communication Department funding
- vi) Increased fees for the National Ballistics Intelligence Service (NABIS)

Microsoft investment, including Office 365 and national security costs (£0.842m)

Includes investment of £450k for security costs and £361k previously included as a one-off budget provision in 2018-19. Savings of £260k are forecast from 2019/20.

Serious Crime Directorate (£0.140m)

This incorporates investment in digital, cyber and volume fraud crime.

Capital investment (£1.0m)

Additional funding to support the capital programme and avoid future cost of borrowing.

Funding for the revenue consequences of capital investment (£1.104m)

Meeting additional revenue costs, for example mobile device charges.

Demand management (£0.2m)

To provide resources to support demand management and efficiency initiatives.

Fire Collaboration (0.2m)

Additional staffing costs to support police/fire collaboration, the costs of which are recharged to the Fire & Rescue Service.

Table B: Summary of new investment for 2018-19

Investment	£m
Additional 150 Police Officers	4.006
Support costs for increasing police officers	1.000
Crime Data Integrity Training	0.181
Detective pathway and UAV	0.025
Service changes to address service challenges	0.913
Microsoft investment	0.842
SCD Investment	0.140
Revenue contribution to capital outlay	1.000
Capital Programme – revenue consequences	1.104
Consultancy – demand management and efficiency initiatives	0.200
Fire collaboration – Staff costs recharged to EPFCCFRA	0.200
Total	9.611

- 4.6 In order to accommodate the additional investment of £9.611m within the total funding available of £277.428m, savings amounting to £3.487m need to be found. The Strategic Change Programme has identified the following source of savings to meet this requirement as follows:

Table C: Strategic Change Efficiency Savings for 2018-19

Savings	£m
Police Overtime	1.200
Non-pay budgets – range of headings	0.362
Revenue savings from estates disposals	0.252
SCD collaboration review	1.583
Operational Policing Command Review	0.100
Total	3.497

- 4.7 The year cost of investing in an additional 150 Police Officers in 2018-19 shown above amounts to £5.006m. The annualised value of this investment amounts to £5.9m, which is 78% of the new monies of £7.5m identified in paragraph 3.3.
- 4.8 A budgetary control mechanism is being devised whereby the PFCC holds the majority of the additional new monies of £9.6m which is then allocated for spending subject to conditions that are complementary to the Police and Crime Plan.

5 Reserves

- 5.1 The level of reserves held by PCCs across the country received considerable attention by the Home Office, APCC, NPCC and other organisations during the Autumn of 2017 as part of the build up to the 2018/19 Police Grant Settlement. A survey of reserves held by PCCs undertaken by CIPFA highlighted total police service reserves at 31 March 2017 at £2.165bn. This consisted of £1.63bn of revenue reserves and £0.53bn of capital reserves.
- 5.2 The significant amount of resources tied up in reserves is recognised as a key issue for the Government, particularly when service pressures on policing are high. Both the level and need of reserves came under scrutiny and the PFCC, as chair of the APCC Finance Strategy Group, was heavily involved in driving the need for transparency and for the level and use of reserves.
- 5.3 The position for Essex was reported to the November meeting of this Panel. The PFCC has general reserves of £13.2m, or 5% of net revenue expenditure and earmarked reserves of £9m, a total of £22.2m at 31 March 2017.
- 5.4 The PFCC has one of the highest level of general reserves amongst shire forces but one of the lowest levels of earmarked and capital reserves. In comparison with Essex's most similar group of forces:

Table D: Total Reserves at 31 March 2017

General, Earmarked and Capital Reserves	£m
Avon & Somerset	44.2
Derbyshire	36.9
Essex	22.2
Hampshire	85.6
Herts	54.0
Leicestershire	30.4
Staffordshire	13.6
Sussex	63.7

- 5.5 The majority of PCCs report a policy of holding minimum general reserves at 3% of net revenue expenditure or less. General Reserves have already reduced by £0.8m during 2017-18 to fund the non-consolidated Police Officer pay award and will be reduced by a further £3.9m in 2018-19 to arrive at a General Reserve of £8.5m (3% of net revenue expenditure). It is planned to maintain this level of general reserve over the medium term.
- 5.6 At the start of 2018-19 the forecast level of earmarked revenue reserves is £9m and capital reserves are £12.6m. There are plans in preparation to fully utilise these reserves over the medium term period of the MTFS:

Table E: Level and Use of Earmarked and Capital Reserves

Reserve	£m at 1 st April 2018	Use
Earmarked:		
- Leased property dilapidations	0.7	To meet contractual liabilities
- POCA	0.3	Operational policing
- Forfeiture monies	0.2	Operational policing
- Legal claims	1.2	To meet Allard claims
- Restructuring reserve	1.0	Organisational change
- Recruitment	0.6	Appointing new staff
- Transformation	0.8	Specific projects
- Major operations	1.5	To meet cost of serious incidents
- Operational Transformation	2.7	Transformation projects
Total Earmarked Reserve	9.0	
Capital Reserve	12.6	Applied to fund the capital programme in 2018-19

6 Capital Investment Programme

- 6.1 The Capital Programme for the five year period 2018-19 to 2022-23 shows estimated capital expenditure amounting to £13.99m for 2018-19. A summary of planned expenditure and funding sources is shown in Table F below.
- 6.2 Capital projects approved in earlier years have a forecast spend of £4.395m for 2018-19. This includes £1.517m for IT projects, specifically £0.573m for ICCS replacement and £0.362m for Mobile First. The fleet replacement programme totals £2.146m and the estates business as usual totals £0.334m, which is primarily CCTV in custody suites at a cost of £0.319m.
- 6.3 Capital projects subject to approval are high at £9.586m and this primarily relates to IT and Estates. Significant project work streams during 2018-19 are IT totalling £5,122m with investment of £3.324m in Project FIM (Fast-track Infrastructure Modernisation) which aims to ensure that officers and staff are provided with reliable end user computer devices including body worn video and mobile phones. There is also investment for server and storage facilities, network and telephony expansion and improvement. Another key project is the data legacy library at a cost of £0.494m.
- 6.4 The estates programme is split into two; business as usual requires £2.038m and the estates strategy requires £2.040m. All of the projects subject to approval require a stage 2 business case in order to revert to approved status.
- 6.5 The closing funds balance indicates that, depending upon the profile of investment and receipts; the PFCC has sufficient capital funds for 18/19, but for future years beyond 2018-19 borrowing will be required. This is being explored in detail through

the Strategic Estates Board which the PFCC chairs. A more detailed paper on the draft Estates Strategy will be presented to the May Panel meeting.

Table F – 5 Year Capital Investment Programme 2018-19 to 2020-21

Capital Investment	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	Total £'000
Opening funds balance	(1,690)	12,684	12,799	(9,322)	(20,879)	(32,426)	
Resources generated in year:							
Home Office Grant	935	935	935	935	935	935	5,610
Capital Receipts	21,906	12,170	2,860	200	0	18,000	55,136
Grants/reserves	1,683	0	0	0	0	0	1,683
Revenue contributions	0	1,000	1,000	1,000	1,000	1,000	5,000
Total Forecast Capital Resources	24,524	14,105	4,795	2,135	1,935	19,935	67,429
Less estimated capital payments in year:							
i) Approved projects	10,150	4,395	3,062	2,323	2,280	0	22,210
ii) Subject to approval:							
- Estates business as usual	0	2,038	1,657	1,380	1,402	1,350	7,827
- Estates Strategy	0	2,040	12,274	7,856	6,750	2,000	30,920
- IT Services	0	5,122	9,770	2,103	2,997	2,663	22,655
- Transport	0	0	0	0	0	2,000	2,000
- Other	0	395	153	30	53	248	879
Total Forecast Capital Expenditure	10,150	13,990	26,916	13,692	13,482	8,261	86,491
Closing funds balance	12,684	12,799	(9,322)	(20,879)	(32,425)	(20,752)	

7 Medium term Financial Strategy (MTFS)

- 7.1 The MTFS is based on a precept Band D increase of £11.97 for 2018-19 and 2019-20 and 0% thereafter resulting in the following forecast:

Table G: Forecast annual savings required over the 5 year medium term

	2018-19 £m	2019/20 £m	2020-21 £m	2021-22 £m	2022-23 £m
Annual growth/ (savings) required	(3.5)	3.0	(9.9)	(7.7)	(7.7)
Cumulative savings	(3.5)	(0.5)	(10.4)	(18.1)	(25.8)

- 7.2 Table G highlights the need to maintain strict financial control over the course of the medium term, continue to generate efficiencies through selective investment and closer collaborative working with partners.

- 7.3 The MTFs has been constructed with key assumptions that the level of government funding and ability to raise the Band D police precept by £12 for 2018-19 and 2019-20 with no increase for 2020-21 onwards.

8 Community Safety Grants

- 8.1 There are three funds supporting the PFCC's allocation of Community Safety Grants with the indicative allocations shown in the Table H below:

Table H: Indicative allocations for 2018-19

Fund:	£'000
Community Safety	2,328
Community Safety Development	300
Victims' Commissioning	2,095
Total	4,723

Community Safety Fund

- 8.2 As per previous years, the PFCC's Community Safety Fund will be used to provide grant funding to a range of partner agencies including Community Safety Partnerships, Youth Offending Teams, Drug and Alcohol teams, Neighbourhood Watch, Crimestoppers, and Local Safeguarding Boards. In addition, funding has been indicatively allocated to continue to support the DRIVE domestic abuse perpetrator pilot programme in North East Essex. £100,000 has been allocated to provide support for vulnerable young people at risk of exploitation by criminal gangs. Funding will also go to partnership co-ordinators for modern slavery and hate crime prevention.

Community Safety Development Fund

- 8.3 The OPFCC will continue to make in-year grant funding available for a range of local community initiatives that support the priorities in the Police and Crime Plan through the CSDF. In round 1 of the 2017-18 the CSDF £147,159 was awarded to 16 local community and voluntary sector organisations. Round 2 of the fund close at the end of January 2018. A further £300,000 will be made available in 2018-19.

Victims' Commissioning Fund

- 8.4 The Ministry of Justice have confirmed the grant settlement for 2018-19 at £2.1m. In 2017-18 the OPCC for Essex received £2.1m, which was supplemented by a transfer from the PFCC's Community Safety Fund.

Table F: 2017-18 Victims' Commissioning Fund

Service	Provider	Annual PCC cost £k
Referral and Assessment service	Victim Support	550
Independent Domestic Violence Adviser (IDVA)	Safer Places	451*
Community based sexual abuse support and Independent Sexual	Essex Rape Crisis Partnership	680

Violence Advocate (ISVA) service		
Sexual Assault Referral Centre (SARC)	Mountain Healthcare	161
Essex Restorative Justice Service	Essex OPCC	120
Commissioning Support	Essex OPCC	45
	Total	2,007

** Plus additional contribution of £249,000 from upper-tier 3 local authorities*

- 8.5 Additional funding from the Victims' Commissioning Fund has indicatively been allocated to a hate crime reporting and support service, and the Essex partnership domestic abuse team.

9 Office of the Police Fire and Crime Commissioner (OPFCC)

- 9.1 The 2018-19 gross revenue budget OPFCC will be £1.4m, which is £0.2m higher than 2017-18 due to additional staff costs associated with joint governance arrangements with the Fire & Rescue Service.
- 9.2 In accordance with the final Local Business Case approved for joint police/fire collaboration, the £0.2m is recharged to Essex PFCC -FRA resulting in a net budget for the OFPCC of £1.2m

10 Robustness of Estimates

- 10.1 Section 25 of the Local Government Act 2003 requires that the Treasurer reports to the PCC when he is considering his budget and council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so that the PCC will have authoritative advice available to him when he makes his decision. Section 25 also requires the PCC to have regard to the report in making his decisions.
- 10.2 The decision on the level of the council tax precept is taken before the year begins and cannot be changed during the year, so allowance for risks and uncertainties that might increase spending above that planned, must be made by:
- i) Making prudent allowance in the estimates for each area of spend
 - ii) Ensuring that there are adequate reserves to draw on if the estimates turn out to be insufficient
- 10.3 The following matters are taken into account when assessing the adequacy of reserves:
- Assumptions about inflation / deflation
 - Estimates of the level and timing of capital receipts
 - Treatment of demand led pressures and savings
 - Financial risks inherent in any significant new development
 - Financial standing (level of borrowing and debt)
 - Track record on budget management
 - Capacity to manage in-year budget pressures

- Year-end procedures in relation to over and underspends
- Strength of financial information and reporting arrangements
- Adequacy of insurance arrangements

- 10.4 The forecast level of general reserve as at 31 March 2018 at £8.5m will represent 3% of net revenue expenditure. In addition, there are forecast revenue earmarked reserves of £3.5m at 31 March 2018. The total level of revenue reserves is one of the lowest for PCC's in the country. The level of reserves is therefore recognised by the PCC, Chief Constable and Senior Officers and Staff as being at a minimum. Strict financial control is therefore maintained.
- 10.5 Maximising the capital resources available through disposal of property surplus to requirements and enables sound capital investment to be undertaken without recourse to borrowing. The timing of both capital receipts and investment in the context of a low level of reserves demands a robust approach to cash flow management, which has been developing over the past year. The Treasury Management Strategy 2018-19, to be published before 1st April 2018, will consider this aspect in more detail.
-

APPENDIX A

2018/19 Budget Overview				App. Ref:	Line Ref:	2017/18	Change
Line Ref:		£000				£000	£000
1	2017/18 Original Budget	268,946	The 2017/18 budget was set with a £0.6m in-year reduction for new permanent posts e.g. to allow time for recruitment	B	1	266,279	2,667
2	Adjustment for 2017/18 activity required in 2018/19	625		B	2	(1,823)	2,448
3	2017/18 Opening Budget	269,571				264,456	5,115
4	Activity occurring before 1st April 2018	688	September 2017 1% payrise & growth returned from 2017/18	B	8	1,195	(507)
5	2018/19 Starting Budget after adjustment to 2017/18 base for activity occurring before 1st April 2018	270,259	An increase of £1.3m to the 2017/18 Original Budget			265,651	4,608
6	Unavoidable Cost Pressures	798	Includes investment of £4m for additional police officers and £1m contribution to capital.	B	16	3,755	(2,957)
7	New Investment	9,611		B	29	3,104	6,507
8	One-off Activity - operational and support	2,236		B	40	3,500	(1,264)
9	Funding to Earmarked Reserves - one-off	814	Transfers to Legal claims and Major Operational reserves	B	43	0	814
10	One-off Activity budget	(2,792)	The Original Budget includes the base budget for one-off activity. It is removed here to avoid double counting the one-off budget requirement	B	45	(3,500)	708
11	2018/19 Budget requirement - before Strategic Change Savings	280,926				272,510	8,416
12	Source of Funding						
13	Government Grants	169,621	Based on precept increase of 7.62% (£11.97)	B	48, 49, 50 & 51	169,621	0
14	Council Tax precept	106,246		B	52	97,424	8,822
15	Collection Fund surplus	1,562		B	53	1,901	(339)
16	2017/18 Total Funding	277,429				268,946	8,483
17	Surplus / (deficit) - before Strategic Change Savings and Efficiencies	(3,497)				(3,564)	67
18	Strategic Change Savings and Efficiencies	(3,497)		B	59	(3,564)	67
19	Annual (Shortfall) /Surplus after achieving Strategic Change Savings and Efficiencies	0		B	60	0	0
20	Council Tax						
21	Council Tax Band D (2017/18 £157.05, 2016/17 £152.10 & 2015/16 £147.15)	£169.02				£157.05	£11.97
22	CT Increase % (2017/18 3.25%, 2016/17 3.36%, 2015/16 1.996%)	7.62%				3.25%	4.37%
23	Increased cost to Band D property / pa (£4.95 2017/18 & 2016/17; £2.88 15/16)	£11.97				£4.95	£7.02
24	Additional income generated from precept increase	£7.52m				£3.10m	£4.42m
25	Additional Weekly Cost (10 pence 2017/18 & 2016/17; 6 pence in 2015/16)	£0.23				£0.10	£0.13
26	Tax base - number of properties (2017/18 620.340m & 2016/17 609.102m)	628,600				620,340	8,260

APPENDIX B

Line Ref:	2018/19 Budget Summary		
		£000	
1	<u>2017/18 Original Budget</u>	268,946	
2	Adjustment for 2017/18 activity required in 2018/19	625	The 2017/18 budget was set with a £0.6m in-year reduction for new permanent posts e.g. to allow time for recruitment
3	<u>2018/19 Opening Budget</u>	269,571	As per 2017/18 Budget Setting & MTFS
	<u>Recurring Activity Occurring Before 1st April 2018</u>		
4	Recurring Pay Changes	709	Sept 2017 1% payrise
5	Non Consolidated 1% pay award	703	Sept 2017 additional 1% payrise
6	OPFCC recharges for Fire Collaboration	(200)	
7	Growth from previous budget settings no longer required	(524)	£475k relates to SCD investment e.g. lower graded posts than Business Case
8	Total Recurring Activity Occurring Before 1st April 2018	688	
9	<u>2018/19 Starting Budget after adjustment to 2017/18 base for activity occurring</u>	270,259	An increase of £1.3m to the 2017/18 Original Budget
10	<u>Unavoidable Cost Pressures</u>		
11	Recurring Pay inflation	1,076	Based on 1% from Sept 2018
12	1% non consolidated payrise	948	Based on an additional 1% from Sept 2018
13	Pay (not inflation) e.g. increments/turnover	(2,838)	Includes increments of £1.8m & saving from average Police Officer turnover of £3.8m
14	Contractual Inflation & De-flation	848	
15	Operational and Support Revenue cost pressures	764	Includes a reduction in operational & investment income.
16	Total Unavoidable Cost Pressures	798	
	<u>New Investment</u>		
17	Increase in Local Policing - increase in police officers	4,006	Increase in the police officer establishment from 2850 FTEs to 3000 FTE's by March 2019
18	Increase in Local Policing - support costs for increasing police officers	1,000	Additional funding for uniforms, recruitment activity (Vetting, HR & Business Services), IT and training.
19	Crime Data Integrity Training	181	Increase of 5 police staff to help meet national recording standards
20	Unmanned Aerial Vehicle (UAV) / Drone Investment & Detective Pathway	25	
21	Service changes to address challenges	913	Spend required to enable delivery of challenges. Includes investment in IT applications, co-locations with Councils & an increase in National Police Air Service (NPAS) costs.

22	Microsoft investment including Office 365 and national security costs	842	Savings of £260k are forecast from 2019/20.
23	2018/19 growth approved as part of 2017/18 budget setting	140	Mainly SCD investment in Digital, Cyber & Volume Fraud
24	Capital programme - revenue contribution to capital outlay	1,000	Revenue contribution to capital funding
25	Capital Programme (Approved) - Revenue Consequences	499	Increase to existing budget - mainly relates to Mobile Policing. Total revenue consequences for 2018/19 approved projects is £1.3m
26	Capital Programme (Proposed) - Revenue Consequences	605	Includes funding for IT and Estates projects
27	Consultancy	200	Consultancy to include assistant in identifying Demand Management and efficiency initiatives
28	Fire collaboration - project staff	200	
29	Total New Investment	9,611	
One-off Activity			
30	One-off reduction in police staff pay	(500)	Reduction for anticipated delays in recruitment as the establishment increases.
31	Capital Programme (Approved) - One-off revenue costs	55	
32	Capital Programme (Proposed) - One-off revenue costs	269	Funding for IT projects
33	Operational and Support Revenue cost pressures - One-off	734	Includes support for the Estates Strategy
34	Service changes to address challenges - One-off	173	Spend required to enable delivery of challenges
35	Unmanned Aerial Vehicle (UAV) / Drone Investment	21	
36	2018/19 One-off projects agreed at 2017/18 Budget Setting - one-off	989	Continuation of 2017/18 projects requiring one-off expenditure in 2018/19 (includes funding for Estates disposal fees, Athena, Specials, FCR and 7Forces).
37	Additional Bank Holiday's in 2017/18 - one-off	(254)	1 less day in 2018/19 financial year (March 30th 2018 - Good Friday is in 2017/18 financial year)
38	Local Policing Initiatives	500	Funding for overtime for Local Policing activities
39	Adjust one-off spend to match one-off budget	249	Available for in-year ad hoc projects surplus e.g. Vital Signs Business Improvement Advisor
40	Total One-off Activity	2,236	
Funding from Reserves - One-off			
Transfer to earmarked reserves			
41	Legal Claims - one off	300	Funding for legal claims from the outcome of Allard & Ors v Devon & Cornwall Constabulary
42	Contribution to the Major Operational earmarked reserve - one off	514	The reserve is for in-year shortfalls on major incidents that are not reimbursed by the Home Office.
43	Total funding from Earmarked Reserves	814	

44		Total one-off activity	3,050	
45	One-off costs funded by permanent budget for one-off activity (includes transfers to reserves)		(2,792)	The Original Budget includes the base budget for one-off activity. It is removed here to avoid double counting the one-off budget requirement
46	One-off expenditure above the £2.8m funding for one-off activity		258	
47	<u>2018/19 Budget requirement before Strategic Change Savings</u>		280,926	
	Source of Funding			
48	HO Core Police Grant - 0% change		101,347	2017/18 £101.347m (2016/17 £102.783m)
49	HO formula Grant (ex DCLG grant) - 0% change		55,149	2017/18 £55.149m (2016/17 £55.933m)
50	Council Tax Freeze grant (2011/12) - 0% change		2,133	2017/18 £2.133m (2016/17 £2.133m)
51	Council Tax Support Grant - 0% change		10,992	2017/18 £10.992m (2016/17 £10.992m) - for reduction in taxbase from 13/14
52	Council Tax precept		106,246	2017/18 £97.424m (2016/17 £92.644m). Based on taxbase growth of 1.33% & 7.62% precept increase
53	Collection Fund surplus		1,562	2017/18 £1.902m (2016/17 £1.794m, 2015/16 £1.680m & 2014/15 £1.064m)
54	<u>2018/19 Total Funding</u>		277,429	2017/18 £268.946m (2016/17 £266.279m).
55	Surplus / (deficit) - before Strategic Change Savings and Efficiencies		(3,497)	Based on precept increase of 7.62% (£11.97)
	FUNDED BY:			
	Strategic Change Savings and Efficiencies in 2018/19			
56	Strategic Change Programme - Non Pay Savings & Efficiencies		(1,577)	Includes contractual reductions and reductions from the estates disposals
57	Strategic Change Programme - Pay Savings & Efficiencies - Police Officers		(1,578)	Identified savings in the Strategic Change Savings Plan for a reduction of £1.2m of police officer overtime and a reduction in officers
58	Strategic Change Programme - Pay Savings & Efficiencies - Police Staff		(342)	Identified savings in the Strategic Change Savings Plan for a net reduction in police staff
59	Total Strategic Change Savings and Efficiencies in 2018/19		(3,497)	
60	Annual (Shortfall) /Surplus after achieving Strategic Change Savings and Efficiencies		0	
61	Council Tax Band D (2017/18 £157.05, 2016/17 £152.10 & 2015/16 £147.15)	£169.02		Based on precept increase of 7.62% (£11.97)
62	CT Increase % (2017/18 3.25%, 2016/17 3.36%, 2015/16 1.996%)	7.62%		
63	Increased cost to Band D property / pa (£4.95 2017/18 & 2016/17; £2.88 15/16)	£11.97		
64	Additional income generated from precept increase	£7.52m		
65	Additional Weekly Cost (10 pence 2017/18 & 2016/17; 6 pence in 2015/16)	£0.23		

66	Tax base - number of properties (2017/18 620.340m & 2016/17 609.102m)	628,600	
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POLICE & CRIME COMMISSIONER FOR ESSEX REVENUE BUDGET SUMMARY - 2018/19 Subjective Analysis			
	2016/17 Outturn £000	2017/18 Original Budget £000	2018/19 Original Budget £000
Employees			
Police Pay and Allowances*	159,557	160,012	161,179
PCSO Pay and Allowances	3,391	2,935	2,877
Police Staff Pay and Allowances*	69,955	77,680	78,536
Pensions (Ill Health / Medical)	4,637	4,288	4,394
Training	1,197	827	1,139
Other Employee Expenses	985	808	186
Employees Sub Total	239,722	246,550	248,311
Premises	10,817	10,607	10,283
Transport	4,366	4,297	4,562
Supplies and Services*	26,068	24,295	29,187
Third Party Payments	6,750	6,180	5,772
Gross Operating Expenditure	287,723	291,929	298,115
Income	(27,842)	(23,272)	(22,962)
Net Cost of Services	259,881	268,657	275,153
Other Expenditure / (Income)			
Interest (Receivable) / Payable	(78)	(243)	(70)
Cost of the disposal of fixed assets	4	32	32
Net Operating Expenditure	(74)	(211)	(38)
Capital & Other Adjustments	921	500	1,500
Net Expenditure	260,728	268,946	276,615
Contribution to/(from) Earmarked Reserves	5,551	0	814
Contribution to/(from) General Balance	0	0	0
BUDGET REQUIREMENT	266,279	268,946	277,429

* The 2017/18 Original Budget has been updated for the correct alignment of the 2017/18 Saving & Investment plans

APPENDIX D

Stephen Kavanagh
Chief Constable



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Roger Hirst
Police, Fire and Crime Commissioner
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CM8 3HB

11 January 2018

Dear Commissioner,

I wrote to you on 18th December 2017 prior to the Home Office announcement stating that I believed an increase in the council tax precept for 2018/19 is essential if together we are to continue to deliver our public safety ambitions for Essex.

Your published Police and Crime Plan clearly sets out the need to maintain local, visible and accessible community policing, respond to the growth in high harm and emerging crimes as well as investing in long term infrastructure, technology and skills base.

This letter sets out my proposals following the recent Home Office announcement and the maximum additional funding available as a result of: structural changes to force funding made by central government (an additional £2.192m)¹; the maximum amount by which the precept could be raised without a referendum (£7.557m); and the precept collection fund surplus which has only recently been confirmed (£0.252m). In total, this represents maximum additional funding of £10.001m in 2018/19 compared to our anticipated budget as presented at the Strategic Board on 19 December (Table A).

¹ Based on an additional £1.42m from the Home Office core grant and £0.772m from the Home Office funding formula.

In an emergency always dial 999. For non-emergencies dial 101.

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Table A: Maximum additional funding available 2018/19

Funding source	Funding 2018/19 (£m)	Increase/decrease (£m)*
Home Office core grant	101.347	+1.42
Home Office formula	55.149	+0.772
Council tax freeze	2.133	No change
Council tax support	10.992	No change
Maximum Precept	106.246	+7.557
LA collection fund surplus	1.562	+0.252
Total	277.429	+10.001

*Change calculates the increase/decrease against the anticipated budget settlement prior to the new Home Office announcement.

2018/19 budget deficit

Prior to the Home Office announcement the force had not managed to produce a balanced budget for 2018/19 despite a rigorous process of challenging cost pressures and identifying efficiencies. The full details were set out to your office at the Strategic Board (mentioned above).

The deficit presented at the Strategic Board was £9.736m but this included £1m of revenue into capital and £1.378m to support the additional officer forecast as a result of running in excess of the previously agreed establishment of 2,850 officers (Table B).

In summary and prior to any new investment, the initial deficit for 2018/19 was £7.358m. This comprised of £1.762m of unavoidable inflation and cost pressures, and £5.813m of previously approved investment. (This is detailed in rows 14 to 24 of Appendix A and includes the £2.378m detailed above.) This reduced to £3.814m as a result of planned efficiencies for 2018/19 totalling £3.544m. The budget papers submitted to the Strategic Board include details of the cost pressures and investments and are at Appendix A.

Table B: Deficit calculations

2018/19 Budget Deficit	
	£m
Opening Budget	269.589
Inflation & Cost Pressures	1.762
Previously approved investment	5.813
Budget Requirement pre announcement	277.164
Forecast Funding	267.428
Deficit as presented at Strategic Board	9.736
Remove new investment	(2.378)
Initial Deficit prior to new investment	7.358
Planned Efficiencies	3.544
Revised Deficit	3.814
Changes to costings post announcement	(0.247)
Deficit	3.567

Since the Strategic Board and not including any new investment decisions, the final deficit for 2018/19 has been adjusted to take account of the finalised figures which show a reduction in force efficiencies due to revised efficiency profile (+£0.047m); the change in pay costings (-£0.094m)², and recharges relating to fire collaboration (-£0.2m). I am therefore pleased to inform you the deficit has reduced to £3.567m.

Home Office announcement: Offsetting the deficit

The maximum additional funding that is available to the force following the Home Office announcement and subject to your decision on the precept is £10.001m.

The structural changes to the central government core grant and formula are to be welcomed and while they fail to redress the disparity in Essex Police funding compared with other forces, they nevertheless allow some flexibility.

My proposal is that the structural changes from central government together with the additionality from local authority precept collection funds are offset against the deficit to reduce the total deficit to £1.123m in 2018/19.

It is with regret that it is necessary that a small part of the precept uplift is used to balance this remaining deficit. However, this allows us to fund the unconsolidated pay award (£1.546m) as part of the core budget going forward instead of a proposed one off payment from reserves and an increase to the police staff vacancy factor, neither of which is a sustainable solution.

² Final checks were carried out which resulted in a lower costing requirement for police staff.

Precept increase

As result of the leadership provided by you in your APCC role and the NPCC, there is a new and more favourable settlement which includes flat cash for the grants and the ability to raise the precept up to £12. I am now in a position to formally request that you raise the council tax by 7.62% which is the maximum allowable without a referendum, thereby having a Council Tax Band D of £169.02.

This will raise an additional £7.557m realising a 2018/19 budget of £277.429m.

Her Majesty's Inspectorate of Constabulary, Fire and Rescue Service (HMICFRS) and PA Consulting's Review together with public feedback make clear the need to strengthen community and local policing arrangements. Therefore my proposal is that the majority of additional funding from the precept is invested in 150 additional police officers who will overwhelmingly be supporting local policing arrangements. This will meet our aspiration of increasing Essex Police establishment to at least 3,000 FTEs by March 2019.

Both you and the Police and Crime Panel are already familiar with the findings from PA Consulting's Demand Review as well as our proposals for a new police operating model as presented at the Strategic Board last November which focuses on increasing visibility and local policing arrangements. In the next few months Essex Police will work up a more detailed evidence based plan for the deployment of these additional officers in line with our shared ambitions.

Appendix B sets out the plan for recruiting to at least 3,000 officers by the end of the financial year at an additional cost of £5.006m in 2018/19.³ The full year effect for 2019/20 is £5.906m. This demonstrates that our decision to run over establishment has assisted in achieving 3,000 officers in a more timely way.

Based on the full year effect (£5.906m) this proposal would allocate more than three quarters (78%) of the total precept increase to local policing. However, to be clear the in-year effect due to lead in times for the additional officers, the spend will be £5.006m or 66%.

Savings and efficiency plan

While I have proposed that the structural central government increase in core grant and the formula are used to reduce the existing deficit next financial year, this is not indicative of a reduced emphasis on the force identifying savings and efficiencies. Essex Police is committed in its efforts to modernise and drive efficiency. The proposed change to funding will not diminish our commitment to find new, more efficient ways of working for the people and businesses of Essex.

³ This is predicated on no more than 240 officers leaving during the financial year and achieving the forecast recruitment numbers as set out in Appendix B.

The identified savings and efficiencies for the force in 2018/19 total £3.497m, this is comprised of non-pay savings of £1.577m, police officer pay savings of £1.578m and police staff pay savings of £0.342m. Non-pay savings include some significant sums from notable contracts including £0.324m on the cleaning contract and £0.252m savings on the running costs from sold premises. The savings in officer pay total £1.578m with the primary reduction being £1.2m in officer overtime. There is also a saving in police staff pay, which has the net reduction of 6.5 FTEs.

Allocation of total funding increase (£10.001m)

I have set out above how the force intends to maximise the benefits derived from any precept rise by taking an evidence based approach and in particular investing in local and community policing.

Increasing the precept by the maximum allowable without a referendum (£12) will make an overwhelming contribution to local visibility, improved prevention and delivering more effective community safety.

In addition, there are other areas of investment that we have identified at the Strategic Board that you are already familiar with. These include collaboration projects for example with Essex Fire and Rescue Services. Such projects offer potential to work more efficiently and effectively by sharing resources and assets and providing services to local communities in partnership.

The lack of capital reserves, capital grant and timing of capital receipts will result in inadequate capital funds to undertake the necessary capital programme, in particular for estates and IT transformation. The 2018/19 budget has sought to partly address this challenge and includes an annual investment to capital of £1.0m.

Set out below in Table C is a summary of the new funding and the proposed utilisation of additional funding.

Table C: Proposed allocation of maximum additional funding in 2018/19

Area of investment	Amount (£m)
Increase establishment	5.006
Collaborated projects	0.17
Revenue to capital	1.0
Deficit	3.567
Surplus for additional allocation (one off)	0.258
Total funding available	10.001

The Future

Essex Police has been improving collaboration, efficiency and delivery over a number of years as independently confirmed by HMICFRS.

With the new and emerging challenges of the digital age, increasing terrorism and hidden harms in communities we remain an ambitious force, committed to keeping the communities of Essex as safe as possible.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'S. Kavanagh', with a stylized flourish at the end.

Stephen Kavanagh
Chief Constable

APPENDIX A

Line Ref:	2018/19 Budget Summary - Draft Proposal		
		£000	
1	<u>2017/18 Original Budget - Budget Book Net Expenditure</u>	268,946	as per 2017/18 Budget Book
2	Adjustment for 2017/18 activity required in 2018/19	625	The 2017/18 budget was set with a £0.6m in-year reduction for new permanent posts e.g. to allow time for recruitment
3	<u>2018/19 Opening Budget</u>	269,571	As per 2017/18 Budget Setting & MTFS
	<u>Recurring Activity Occurring Before 1st April 2018</u>		
4	Recurring Pay Changes	542	Sept 2017 1% payrise - see One-off section below for 1% non-consolidated payrise
5	Growth from previous budget settings no longer required	(524)	£475k relates to SCD investment e.g. lower graded posts than Business Case
6	Total Recurring Activity Occurring Before 1st April 2018	18	
7	<u>2018/19 Starting Budget after adjustment to 2017/18 base for activity</u>	269,589	An increase of £0.6m to the 2017/18 Original Budget
8	<u>Unavoidable Cost Pressures</u>		
9	Recurring Pay inflation	887	Based on 1% from Sept 2018
10	Pay (not inflation) e.g. increments/turnover	(737)	Includes increments of £1.8m & saving from average Police Officer turnover of £3.8m
11	Contractual Inflation & De-flation	848	Includes inflation for utilities, Business Rates & IT contracts
12	Operational and Support Revenue cost pressures	764	Includes a reduction in operational & investment income.
13	Total Unavoidable Cost Pressures	1,762	
	<u>New Investment from Precept Increase</u>		
14	Increase in average Police Officer strength	1,378	Average police officer strength is 2893fte in 2018/19 - an average increase of 43ftes
15	Crime Data Integrity Training	181	Increase of 5 Police Staff to help meet national recording standards
16	Unmanned Aerial Vehicle (UAV) / Drone Investment & Detective Pathway	25	
17	Service changes to address challenges (excluding Microsoft investment)	913	Spend required to enable delivery of challenges. Includes investment in IT applications, co-locations with Councils & an increase in National Police Air Service (NPAS) costs.
18	Microsoft investment including Office 365 and national security costs	842	Includes £450k for security costs & £361k previously included as one-off in 2018/19. Savings of £260k are forecast from 2019/20.
19	2018/19 growth approved as part of 2017/18 budget setting	140	Mainly SCD investment in Digital, Cyber & Volume Fraud

20	Capital programme - revenue contribution to capital outlay	1,000	Revenue contribution to capital funding
21	Cost of Borrowing - Estates Strategy	32	
22	Capital Programme (Approved) - Revenue Consequences	746	Increase to existing budget - mainly relates to Mobile Policing moving from one-off to recurring
23	Capital Programme (Proposed) - Revenue Consequences	556	Based on 75% of bids
24	Total New Investment from Precept Increase	5,813	
25	One-off costs		
26	Pay award - one-off non-consolidated based on 1% from Sept 2017	658	Increase for April 2018 to August 2018 (5 months)
27	Pay award - one-off non-consolidated based on 1% from Sept 2018	888	Increase for September 2018 to March 2019 (7 months)
28	Change in Police Staff vacancy factor for 2018/19 - one off	(820)	Vacancy factor changed from a standard 4.25% to a range between 0% for small departments and up to 8.5% for large Commands.
29	Capital Programme (Approved) - One-off revenue costs	55	
30	Capital Programme (Proposed) - One-off revenue costs	269	Based on 75% of bids
31	Operational and Support Revenue cost pressures - One-off	734	Includes support for Estates Strategy and Police Now
32	Service changes to address challenges - One-off	166	Spend required to enable delivery of challenges
33	Unmanned Aerial Vehicle (UAV) / Drone Investment	21	
34	2018/19 One-off projects agreed at 2017/18 Budget Setting - one-off	1,054	Continuation of 2017/18 projects requiring one-off expenditure (includes funding for Estates disposal fees, Athena, Specials, FCR, 7Forces & ESMCP - Airwave replacement). Approved as part of 2017/18 budget setting
35	Additional Bank Holiday's in 2017/18 - one-off	(254)	1 less day in 2018/19 financial year (March 30th 2018 - Good Friday)
36	Adjust one-off spend to match one-off budget	21	
37	Total One-off costs	2,792	
38	One-off costs funded by permanent budget for one-off activity	(2,792)	£3.5m recurring one-off budget created in 2016/17 as no longer able to fund one-off expenditure from General Reserve. Reduced by £708k in 2018/19 for long term projects requiring several years of one-off funding (Mobile Policing, increase in Specials & ESMCP (Airwave replacement)). Funding to be returned to recurring one-off budget after project.
39	One-off expenditure balance from £2.8m funding available for one-off activity	(0)	
40	2018/19 Final Budget requirement	277,164	

	Source of Funding		
41	HO Core Police Grant - 1.4% reduction	99,927	2017/18 £101.346m (2016/17 £102.783m)
42	HO formula Grant (ex DCLG grant) - 1.4% reduction	54,377	2017/18 £55.149m (2016/17 £55.933m)
43	Council Tax Freeze grant (2011/12) - 0% reduction	2,133	2017/18 £2.133m (2016/17 £2.133m)
44	Council Tax Support Grant - 0% reduction	10,992	2017/18 £10.992m (2016/17 £10.992m) - for reduction in taxbase from 13/14
45	Council Tax precept	98,689	2017/18 £97.424m (2016/17 £92.644m). Based on taxbase growth of 1.3% & 0% precept increase.
46	Collection Fund surplus	1,310	2017/18 £1.902m (2016/17 £1.794m, 2015/16 £1.680m & 2014/15 £1.064m).
47	2018/19 Total Funding	267,428	2016/17 £266.279m (2015/16 £262.511m).
48	Surplus / (deficit)	(9,735)	Based on precept increase of 0% (£0)
	FUNDED BY:		
	Strategic Change Savings in 2018/19		
49	Strategic Change Programme - Non Pay savings	(1,612)	£308k savings identified as part of 2018/19 budget setting has moved to prior years to fund shortfall.
50	Strategic Change Programme - Pay Savings	(1,932)	Identified savings in the Strategic Change Savings Plan
51	Additional Strategic Change Savings		tbc - final overall balancing item (if required) - Savings to be identified during 2018/19
52	Total Strategic Change Savings in 2018/19	(3,544)	
53	Annual (Shortfall) /Surplus after achieving Strategic Change Savings	(6,192)	Based on precept increase of 0% (£0)
54	Council Tax Band D (2017/18 £157.05, 2016/17 £152.10 & 2015/16 £147.15)	£157.05	Based on 0% precept increase
55	CT Increase % (2017/18 3.25%, 2016/17 3.36%, 2015/16 1.996%)	0.00%	
56	Increased cost to Band D property / pa (£4.95 2017/18 & 2016/17; £2.88 15/16)	£0.00	
57	Investment from Precept increase	£0.00m	
58	Additional Weekly Cost (10 pence 2017/18 & 2016/17; 6 pence in 2015/16)	£0.00	
59	Tax base - number of properties (2017/18 620.340m & 2016/17 609.102m)	628,393	Provisional

APPENDIX B

Police Officer Growth Plan- 2018/19

		Police Officer turnover based on target establishment of 2,850 FTES - Base Budget													Annual
Line Ref		Mar-18 FTEs	Apr-18 FTEs	May-18 FTEs	Jun-18 FTEs	Jul-18 FTEs	Aug-18 FTEs	Sep-18 FTEs	Oct-18 FTEs	Nov-18 FTEs	Dec-18 FTEs	Jan-19 FTEs	Feb-19 FTEs	Mar-19 FTEs	
1	Previous Month End Strength	2,902	2,905	2,885	2,883	2,863	2,861	2,841	2,821	2,837	2,817	2,851	2,831	2,865	
2	Leavers	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(240)
3	Joiners	23	0	18	0	18	0	0	36	0	54	0	54	0	180
4	Strength at end of month	2,905	2,885	2,883	2,863	2,861	2,841	2,821	2,837	2,817	2,851	2,831	2,865	2,845	2,850 Average Strength
5	Establishment Target	2,850	2,850	2,850	2,850	2,850	2,850	2,850	2,850	2,850	2,850	2,850	2,850	2,850	
6	Strength Variance	55	35	33	13	11	(9)	(29)	(13)	(33)	1	(19)	15	(5)	
7	% Strength Variance	1.9%	1.2%	1.2%	0.5%	0.4%	(0.3%)	(1.0%)	(0.5%)	(1.2%)	0.0%	(0.7%)	0.5%	(0.2%)	
		Police Officer growth plan													Annual
Line Ref		Mar-18 FTEs	Apr-18 FTEs	May-18 FTEs	Jun-18 FTEs	Jul-18 FTEs	Aug-18 FTEs	Sep-18 FTEs	Oct-18 FTEs	Nov-18 FTEs	Dec-18 FTEs	Jan-19 FTEs	Feb-19 FTEs	Mar-19 FTEs	
1	Previous Month End Strength	2,902	2,948	2,928	2,974	2,954	2,988	2,968	2,948	2,982	2,962	2,996	2,976	3,020	
2	Leavers	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(240)
3	Joiners	66	0	66	0	54	0	0	54	0	54	0	64	0	292
4	Strength at end of month	2,948	2,928	2,974	2,954	2,988	2,968	2,948	2,982	2,962	2,996	2,976	3,020	3,000	
5	Establishment Target	2,850	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	
6	Strength Variance	98	(72)	(26)	(46)	(12)	(32)	(52)	(18)	(38)	(4)	(24)	20	0	
7	% Strength Variance	3.4%	(2.4%)	(0.9%)	(1.5%)	(0.4%)	(1.1%)	(1.7%)	(0.6%)	(1.3%)	(0.1%)	(0.8%)	0.7%	0.0%	
8	Notes: The above recruitment profile is to be reviewed with HR and L&D														
9	Monthly increase in strength to base budget	43	43	91	91	127	127	127	145	145	145	145	155	155	

Financial forecast of increasing police officer strength

		Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Annual	Full Year
		Additional Joiners Costs													
10	1st April 2018 FTEs increase - monthly FTE change	43ftes	0ftes	0ftes	0ftes	0ftes	0ftes	0ftes	0ftes	0ftes	0ftes	0ftes	0ftes	43ftes	
11	1st April 2018 increase - additional monthly charge	£0.115m	£0.115m	£0.115m	£0.115m	£0.115m	£0.117m	£0.117m	£0.117m	£0.117m	£0.117m	£0.117m	£0.117m	£1.392m	
12	1st April increase - monthly cumulative total	£0.115m	£0.230m	£0.345m	£0.460m	£0.575m	£0.690m	£0.807m	£0.924m	£1.041m	£1.158m	£1.275m	£1.392m	£1.392m	
		Additional joiners - increasing 180 FTEs to 292 FTEs, an increase of 112 FTEs													
13	Additional joiners - monthly FTE change	0ftes	48ftes	0ftes	36ftes	0ftes	0ftes	18ftes	0ftes	0ftes	0ftes	10ftes	0ftes	112ftes	
14	Joiners - additional monthly charge	£0.000m	£0.128m	£0.128m	£0.224m	£0.224m	£0.224m	£0.272m	£0.272m	£0.272m	£0.272m	£0.299m	£0.299m	£2.614m	
15	Additional joiners - cumulative	£0.000m	£0.128m	£0.256m	£0.480m	£0.704m	£0.928m	£1.200m	£1.472m	£1.744m	£2.016m	£2.315m	£2.614m	£2.614m	
16	Total additional pay costs - monthly change	£0.115m	£0.243m	£0.243m	£0.339m	£0.339m	£0.341m	£0.389m	£0.389m	£0.389m	£0.389m	£0.416m	£0.416m		£4.906m
17	Total additional pay costs - cumulative	£0.115m	£0.358m	£0.601m	£0.940m	£1.279m	£1.618m	£2.007m	£2.396m	£2.785m	£3.174m	£3.590m	£4.006m	£4.006m	
9	Total additional pay costs - monthly change	£0.115m	£0.243m	£0.243m	£0.339m	£0.339m	£0.341m	£0.389m	£0.389m	£0.389m	£0.389m	£0.416m	£0.416m		
10	Total additional pay costs - cumulative	£0.115m	£0.358m	£0.601m	£0.940m	£1.279m	£1.618m	£2.007m	£2.396m	£2.785m	£3.174m	£3.590m	£4.006m	£4.006m	
		Recruitment costs e.g. uniforms, vetting, HR													
11	Additional recruitment costs - monthly charge	£0.083m	£0.083m	£0.083m	£0.083m	£0.083m	£0.083m	£0.083m	£0.083m	£0.083m	£0.083m	£0.083m	£0.087m		
12	Additional recruitment costs - cumulative	£0.083m	£0.166m	£0.249m	£0.332m	£0.415m	£0.498m	£0.581m	£0.664m	£0.747m	£0.830m	£0.913m	£1.000m	£1.000m	
13	Total additional cost - monthly change	£0.198m	£0.326m	£0.326m	£0.422m	£0.422m	£0.424m	£0.472m	£0.472m	£0.472m	£0.472m	£0.499m	£0.503m		

14	Total additional cost - cumulative	£0.198m	£0.524m	£0.850m	£1.272m	£1.694m	£2.116m	£2.588m	£3.060m	£3.532m	£4.004m	£4.503m	£5.006m	£5.006m	£5.906m
15	Note: There is no change to the leavers profile														
16	The forecast for the full year cost in 2019/20 of an average 3,000 FTEs is an additional £0.9m														
17	The employer's cost for a probationer is £31,983 and the employer's cost for a leaver is £52,198														

ESSEX POLICE, FIRE AND CRIME COMMISSIONER
FIRE & RESCUE AUTHORITY
Essex County Fire & Rescue Service



Meeting	Essex Police Fire and Crime Panel	Agenda Item	5
Meeting Date	22 January 2018	Report Number	EPFCP/02/18
Report Author:	Glenn McGuinness, Assistant Director of Finance		
Presented By	Charles Garbett, Chief Finance Officer		
Subject	2018/19 Budget		
Type of Report:	Decision		

PRECEPT PROPOSAL

1. The Police Fire and Crime Commissioner proposes a precept increase of 1.95%, equivalent to an increase of £1.35 a year from £69.03 to £70.38 for a band D property, raising £0.9m of additional council tax receipts.

BACKGROUND

2. This budget has been prepared in line with the work previously undertaken by Essex Fire Authority to develop a medium term financial strategy that would deliver a balanced budget by 2020. As part of that process a significant amount of work was undertaken to develop a revised Integrated Risk Management Plan 2016-2020, a new Strategy for ECFRS 2016-2020 and proposals for options for change. Two 12 week public consultations underpinned this process and as a result of the decisions taken by the Authority in 2016, an efficiency plan for the Authority was approved by the Home Office in late 2016.
3. This approval, offered certainty in the level of government funding through to March 2020. Some 97% of relevant authorities followed this approach, including all fire and rescue authorities. As a result, the funding from government for 2017/18 and 2018/19 was in line with the previous year's projections.
4. The budget process for the Authority has involved departmental managers working with Finance colleagues to determine the staffing and resource requirements for 2018/19.
5. In particular, there is a close relationship between the planning assumptions for the 2020 programme and the agreements around crewing levels in the Dispute Resolution Agreement with the Fire Brigades Union (FBU). Any move away from the agreed crewing levels would be a breach of that agreement and could potentially lead to a new dispute being raised with the union.

6. A review of the progress against the Efficiency Plan was agreed by the Fire Authority in September 2017 as part of the medium term financial strategy. The budget is based on the Authority's Efficiency Plan and the Medium Term Financial Strategy agreed in September 2017. The budget includes the phased delivery of service changes in accordance with the agreed 2020 programme. The paper agreed by the Fire Authority in September 2017 is included for further background reading.
7. Attached at Appendices 1 and 2 are the Section 25 report from the Chief Finance Officer to the PFCC and a copy of the Budgetary Control and Financial Planning Internal Audit for Members information.

RISK AND OPTIONS

8. The main risk areas associated with the budget are summarised below:

LEVELS OF NATIONAL PAY SETTLEMENTS

9. The National Joint Council made a conditional pay offer of 2% from July 2017 with a further increase of 3% from April 2018. The main conditions were agreement about broadening the role map of firefighters, and securing government funding for the additional costs in 2018. The offer has been rejected by the Fire Brigades Union. A number of Authorities have indicated that they are planning on pay increases of 2% for 2017 and future years. For Essex, the Efficiency Plan agreed by the Authority in 2016 assumes a 1% increase per annum. Higher increases above 1%, without either additional funding or savings would mean that a balanced budget position would not be achieved in 2020.
10. The cost of an additional 1% on the firefighter pay bill is around £360k per annum, equivalent to around 9.5 firefighter posts. Any consideration of potential changes to firefighter numbers will result in a need to review the Dispute Resolution Agreement reached with the FBU earlier in 2017. Alternatively, there would need to be flexibility in setting the level of Council Tax (see para 30 below) – an increase of 0.8% would be needed to fund an additional 1% pay increase for firefighters.
11. It seems likely that the pressure for removal of the 1% pay cap across the public sector will increase as we move into 2018, but for Essex this is not an affordable position. Changes to the firefighter role map are more likely to add to our costs (if on-call firefighters respond to more medical emergencies for example) unless we resist the pressure to expand the role of firefighters without either additional funding or commissioned income from Health.
12. The budget has been prepared including a 1% provision, to reflect the fact that any higher increases are not affordable within the framework of the efficiency plan.
13. Options for offsetting reductions in expenditure remain largely as were proposed in the preparatory work for the 2016 consultation on Service Change Options. These include changes to the crewing or the withdrawal of the second fire engine at another whole-time fire station, the closure of fire stations or significant reductions in short term spending in key areas. Further discussion of savings options for 2018/19 is covered later in the paper.

FUNDING SHORTFALLS

14. The risks around funding include the levels of government grants and collection rates for council tax and national non-domestic rates. The risk is considered very low for any change from the certainty levels of government funding. Such a move would significantly impact across all of local government with some 97% of authorities having funding certainty following the submission of efficiency plans in 2016.
15. Factors impacting on the collection rates will be changes in the underlying economy, perhaps resulting from Brexit. These are unlikely to impact on 2018/19, as each billing authority will determine their collection rates based on their current experience with any shortfall impacting on the collection account in 2019/20. In addition the Authority has established earmarked reserves to mitigate the impact of any shortfall.
16. These timescales mean that the budget for 2018/19 can be agreed knowing that funding changes will not be a significant factor.

FINANCIAL IMPLICATIONS

17. The following sections provide the analysis of the key income and expenditure headings for the Authority's budget:

LOCAL GOVERNMENT FINANCE SETTLEMENT

18. In September 2016, the Authority approved an efficiency plan for the period to 2019/20 and this was submitted to the Government. The provisional settlement figures for 2018/19 were announced on 19 December 2017 and reflect those expected in the efficiency plan.
19. The profile of Revenue Support Grant and National Non-Domestic Rates (NNDR) for future years is set out in the table below:

	2017-18 £'m	2018-19 £'m	2019-20 £'m
Revenue Support Grant	11.0	9.3	8.3
Share of NNDR	6.5	6.7	6.9
Tariff/Top-Up	8.9	9.2	9.5
Total	26.4	25.2	24.7

20. For 2018/19 the level of revenue support grant will be £9,347k some £1,686k lower than the current year, this is a reduction of 15%. In addition, the Authority will retain 1% of national non-domestic rates (business rates) worth an estimated £6,692k and receive a top-up grant of £9,199k. In total, these amounts for business rates are £0.3m higher than the current year.

NATIONAL NON-DOMESTIC RATES

21. Within the overall amount of funding there is an element funded by the Authority's share (1%) of national non-domestic rates. For 2018/19, decisions by the government to extend relief for small businesses and other policy changes mean that £488k (£488k for 2017/18) of the business rates expected will be funded by a government grant.

22. In addition, the government assumes that the Authority's share of national non-domestic rates from the billing authorities will be £6,692k for 2018/19. The exact amount may vary from this level, the Authority holds an earmarked reserve to manage this uncertainty, and it is proposed that the shortfall in the final level of billing authority sourced funding is managed through this reserve.
23. To help maximise the local share of national non-domestic rates the Authority has supported a pooling arrangements with the County Council, Southend Borough Council and all 12 district councils. In addition, the pooling authorities bid to be a pilot area for business rates retention in 2018/19, this bid was not successful.
24. Under the pooling arrangements, a larger share of any gains in the level of these rates will be retained locally and apportioned within the pool. Because of this, it is estimated that the Authority will gain £120k in additional business rates.

COUNCIL TAX

25. The Authority consulted in 2016 on future service change options associated with proposed changes in the rate of council tax. The preferred option, supported in the public consultation and by representative bodies was agreed by the Authority in June 2016 included planned increases in Council Tax of the maximum allowed under the council tax referendum rules. For 2018/19, the government has announced 3% as the threshold for the increase in council tax that will require a referendum. This is an increase of 1% on the 2017-18 referendum limit of 2%. The increase for the Authority of 1.95% (£1.35 for a band D property) reflects the PFCC's proposal to remain within a 2% council tax increase.
26. The increase in council tax from the rate increase will add £835k to the Authority's income. If the increase is not agreed then this will create a larger call on reserves in 2018/19. There would also be a need for savings to be identified in future years in addition to the 2020 programme.

TAX BASE

27. The position regarding the tax base of the Authority remains strong with increases through better collection arrangements and growth. The Council Tax sharing arrangements are supported by in-year monitoring of the progress in collection and an early assessment of the impact of changes to the billing authorities Council Tax support schemes.
28. The Authority has aligned itself with the County Council and the Police Fire and Crime Commissioner and agreed with the billing authorities to share the precepting authorities' gains from technical changes in Council Tax with the billing authority.
29. The rate of growth in the council tax base is 1.33% for 2018-19. This is slightly lower than the anticipated growth of 1.75% based on the four years average to March 2018.

COLLECTION ACCOUNT

30. With the continued growth in the tax base, the Council Tax collection account will show a positive balance of £688K in 2018/19 (£846k for 2017/18). The Authority has an earmarked reserve to absorb any negative movement on the collection account fund, but there will be no call on this reserve in 2018/19.

PRECEPT AND IMPLICATIONS FOR COUNCIL TAX

31. The table below sets out the calculations of the proposed council tax and show the changes from the 2017/18 budget.

	2017/18 Budget	2018/19 Budget	Change
	£'000	£'000	£'000
Budget Requirement	70,128	69,996	(132)
Sources of Finance			
Revenue Support Grant	11,033	9,347	(1,686)
National Non-Domestic Rates	15,427	15,720	293
Total Grant	26,460	25,067	(1,393)
Collection Fund Surplus	846	688	(158)
Precept Requirement	42,822	44,241	1,419
Tax Base	620,340	628,600	8,260
Council Tax (Band D)	£69.03	£70.38	£1.35

32. The main changes from 2017/18 are the reduction in revenue support grant, offset by an increased tax base and an increase in the precept. Just under a third of the increase in the precept comes from the higher tax base with the balance from the increase in council tax.

2017/18 FORECAST REVENUE BUDGET POSITION

33. The forecast outturn has been reviewed to reflect the position at the end of September 2017, this forecast is summarised below and this position is reflected in the comparative figures used in this report.

Description	2017-18 Budget £'000s	2017-18 Forecast £'000s	Forecast Variance £'000s
Firefighters	28,849	28,785	(64)
On Call Firefighters	6,086	5,925	(161)
Control	1,382	1,375	(7)
Support Staff	13,209	13,582	373
Total Employment Costs	49,526	49,668	142
Support Costs	1,944	1,988	45
Premises & Equipment	10,474	10,138	(337)
Other Costs & Services	3,761	3,658	(103)
Ill health pension costs	2,118	2,221	103
Financing Items	6,160	5,349	(811)
Operational income	(3,781)	(4,127)	(346)
Contribution to/(from) Reserves	(73)	(73)	-
Total Other Costs	20,602	19,153	(1,449)
Total Budget	70,128	68,821	(1,307)
Total Funding	(70,128)	(69,913)	215
Funding Gap / (Surplus)	0	(1,092)	(1,092)

34. The forecast variance is reported against the current budget. The forecast includes an overspend of £373K on support staff, this mainly relates to agency and temporary staff. This is being discussed with budget holders to reduce spend in the second half of the year.

35. The underspend of £337K on premises and equipment relates to ICT projects. The final area of underspend of £811K relates to lower charges for capital financing as capital expenditure is forecast at £5.2m against a budget of £11.9m (see note 75 dealing with capital expenditure below).

RESERVES

36. At 31 March 2017, the Authority had £19.2m of usable reserves. This is made up of earmarked reserves (£5.5m), capital receipts reserve (£7.0m) and general reserve (£6.7m)

37. The Chief Finance Officers report on the 2018-19 budget deal with proposals for reserves.

38. The 2018/19 budget represents a transitional period in the move towards a balanced budget for 2020 forwards. The potential for future savings in the costs of enabling services and property through collaboration and integration with the police remains, but the timing of these savings is not in the direct control of the Authority and are not therefore included in the 2018-19 budget. They are, however, included in the medium term efficiency plan for 2019-20.

2018/19 BUDGET

39. The budget for 2018/19 has been drawn up reflecting the key decisions made in the Fire Authority Strategy 2016 to 2020. The budget supports the Service Strategy and departmental budgets reflect the departmental activities in support of the overall strategy. The plans demonstrate the achievement of a balanced budget by 2020, but utilise existing reserves in the year. One other change is the ending of the arrangement with Essex County Council to provide the Emergency Planning Service and the transfer of those staff back to the County Council from 1 April 2018.

40. The budget for 2018/19 is summarised below and compared to the most recent forecast for 2017/18.

Description	2017-18 Budget £'000s	2017-18 Forecast £000's	2018-19 Budget £'000s"
Firefighters	28,849	28,785	29,674
Firefighters - Retained Duty System	6,086	5,925	6,353
Control	1,382	1,375	1,436
Support Staff	13,199	13,582	12,433
Total Employment Costs	49,516	49,668	49,896
Support Costs	1,954	1,988	1,802
Premises & Equipment	10,474	10,138	10,673
Other Costs & Services	3,761	3,658	3,549
Firefighters' Pension Scheme	2,118	2,221	2,200
Financing Items	6,160	5,349	4,474
Operational income	(3,781)	(4,127)	(3,299)
Contribution to/(from) Reserves	(73)	(73)	700
Total Other Costs	20,612	19,153	20,100
Total Budget	70,128	68,821	69,996
Total Funding	(70,128)	(69,913)	(69,996)
Funding Gap / (Surplus)	0	(1,092)	(0)

41. The overall contribution to reserves of £700k comprises:

- Inflation provision of £700k (contribution to reserves); and
- The Statutory provision for capital financing budget for 2018-19 is £5.5m, this has been reduced by a release of £2.5m from the capital receipts reserve in order to balance the budget. This release is £1.9m more than allowed for in the medium term financial plan, the reasons for this release are as follows:
 - On-call firefighter additional increase of £150K budget originally planned 2019-20.
 - The efficiency plan allowed for further savings (£150K) from management review phase two, these have not been incorporated into the budget

- A release of £1.4m to bring forward whole-time firefighter recruitment and include 8 technical fire safety posts not previously budgeted for.
- Increase in PPE costs of £180K not allowed for in efficiency plan.

STAFF NUMBERS

42. Overall staff numbers are summarised below:

Staff Budget (Average)	2017/18 Budget	Changes	2018/19 Budget
Wholetime Firefighters (Ex additional shift working)	620	12	632
On-Call (Retained) Firefighters	519	-	519
Control Staff	33	1	34
Support Staff - Employees	285	-8	277
Support Staff - Temporary & Agency	10	-	10
Total	1,467	4	1,472

WHOLETIME FIREFIGHTERS

43. Employment costs equate to c.70% of the Authority's total revenue budget, with the numbers of firefighters employed the most significant element. The budget reflects recruitment of firefighters in late 2017 and through 2018. A reduction in firefighter roles as staff retire is also allowed for.

44. The average numbers of whole-time firefighters in 2018/19 by role are set out below:

Firefighter Budget (Pay Grades are shown in brackets)	2017/18 Budget	Changes	2018/19 Budget
Chief, Deputy Chief & Assistant Chief Fire Officers (Brigade Managers)	2	0	2
Area Manager B	4	-1	3
Group Manager B	12	0	12
Station Managers B	34	6	40
Station Managers A	7	-7	0
Watch Managers B	56	21.5	78
Watch Managers A	61	-5	56
Crew Manager	99	-15.5	84
Firefighter	345	13	358
Additional crewing cover	13	2	15
Total	633	14	647

ON-CALL (RETAINED) FIREFIGHTERS

45. The numbers of on-call firefighters has only been budgeted on a head count basis as changes to availability bandings are currently being consulted on.

46. The on-call firefighters' project has reached delivery stage and is a key element of the changes agreed for 2020. These changes bring forward planned increases in expenditure for on-call firefighters expected in 2018/19 onwards, with an additional £0.2m of spend in 2018/19.

47. The main costs for on-call firefighters are for their utilisation, rather than headcount. The on-call pay budget reflects the actual levels of activity over the last 12 months and makes no allowance for any abnormal activity levels such as flooding, prolonged summer drought or strikes. An earmarked reserve exists should significant unforeseen activity be undertaken.

CONTROL STAFF

48. The budget for control staff reflects resources to cover vacancies, maternity leave and training so that we are able to maintain full staffing. The average number of staff budgeted (34) reflects the current staffing position.

SUPPORT STAFF CHANGES

49. For support staff expected savings from the management review have not yet been made, £0.3m of future savings reflected in the medium term financial plans have not been included in the budget for 2018/19.
50. Provision continues to be made for £0.4m of additional costs for community safety activities in the year using support staff roles. This is in line with the medium term efficiency plan. The change also includes the transfer of 11 emergency planning staff to Essex County Council as these were previously directly funded by the county council, the overall effect on the budget is nil.

STAFF COSTS

51. In addition to the numbers of staff employed, a number of other elements influence the overall employment costs. These are discussed in the sections below.

RESILIENCE AGREEMENTS

52. The budgets for firefighter and on-call firefighter pay include a specific provision of £370k for resilience agreements. Firefighters who had agreed to these agreements have provided crewing for the appliances deployed during the periods of industrial action undertaken by the Fire Brigades Union.

PAY

53. The budget for firefighter pay includes additional expenditure on overtime where out-duties are worked; including the payment of allowances for pre-arranged out-duties. Provision is also made for additional shift working to cover crewing shortfalls.
54. The budget for firefighters pay is based on the latest pay rates agreed in July 2016, in addition a further 1% is allowed from July 2017. As in previous years, the budget makes no specific provision for pay inflation in 2018/19. As in recent years, it is proposed that as part of the budget monitoring process authority is delegated to the Chief Finance Officer to authorise virements to reflect national pay settlements and virements for inflationary pressures. For the purposes of the budget, the provision of £700k for inflation has been included as a contribution to reserves.

PENSION SCHEMES

FIREFIGHTER PENSION SCHEMES

55. There were significant changes in the pension schemes for firefighters in 2017. The next change in contribution rates is expected to be in April 2019
56. The Authority is required to budget for lump sum charges arising from the ill-health retirement of firefighters. These costs can be spread over three years, starting in the year in which the ill-health retirement occurs. In addition, the Authority has to fund the cost of the residual amount of injury scheme payments previously included in the pensions budget. The pension injury payments increase in line with inflation and represent a considerable burden for the Authority. The budget for 2018/19 is £2,050k. The level of ill-health retirements has fallen considerably in recent years, and provision has been made for one such retirement in 2018/19.

LOCAL GOVERNMENT PENSION SCHEME

57. There was an actuarial review of the local government pension scheme as at 31 March 2016 and this has resulted in an increase in the employers' contribution rate from 13.9% to 16.2%.
58. The budget makes provision for the rates of employers National Insurance contributions and the new apprenticeship levy introduced from 1 April 2017. The budget includes £190k in 2018/19.

INFLATION

59. Some specific allowances are included within the budget bids for expected inflationary increases in business rates, utilities and fuel and for higher supplier prices for property related costs. Budget holders have absorbed other inflationary pressures.

NON-STAFF COSTS & COLLABORATION SAVINGS

60. For non-staffing costs, the budget is derived from the outturn expenditure for 2017/18 "normalised" to exclude the impact of any non-recurring expenditure. This base figure has then been adjusted for efficiency gains and to reflect the impact of specific changes planned for the next year. Overall, the budget has in effect been cash limited to the 2017/18 level.
61. The budget process was carried out in conjunction with the 2018/19 business planning process so that the financial plans for the year and the departmental business plans were developed in parallel.
62. The business case produced by the Police Fire and Crime Commissioner identifies the potential for savings across a range of enabling services. The budget proposed for 2018-19 does not include any of these savings because their delivery is outside the direct or sole control of Officers within ECFRS. These include the benefits from shared accommodation, merging of enabling functions etc. The delivery of these savings needs to ensure that benefits are realised by all parties to the existing joint arrangements in place for Essex Police and the Fire Authority.

SPRINKLER FUNDING

63. The budget makes no specific provision for additional sprinkler funding as the planned expenditure in 2018/19 will be from the existing agreed spend to save reserve with £371k remaining for projects to be completed. A longer term funding strategy for sprinkler funding will need to be developed in 2018 with additional pressure expected as a result of the enquiry into the Grenfell Tower fire.

RISK PROTECTION

64. The Authority's risk protection arrangements are provided through the Fire and Rescue Indemnity Company Ltd (FRIC) in a risk sharing arrangement with eight other Fire and Rescue Authorities. These arrangements have been live for over one year and contributions to FRIC are in line with the insurance premiums paid in the previous year.

REVENUE BUDGET PROVISION FOR CAPITAL FINANCING

65. The Authority is required to make a statutory provision to fund capital expenditure from council tax. This provision is based on the historic cost depreciation charge for the assets that are purchased.

66. This charge of £5.5m has then been reduced by £2.5m to reflect the use of the capital receipts reserve as the means of balancing the 2018/19 budget.

INCOME

67. The budget reflects a realistic assessment of income from a range of sources including aerial sites for telephony, re-charges to EFA trading etc. These are analysed in the table below:

Description	2017-18 Budget £'000s	Forecast 2017-18 £000's	2018-19 Budget £'000s
Income			
Government Grants	(£1,912)	(£2,299)	(£2,099)
Cycle to Work Scheme	(£31)	(£28)	(£25)
Childcare Vouchers	(£65)	(£62)	(£65)
Sales of Vehicles	-	(£49)	-
Canteen Income	(£85)	(£68)	(£68)
Sale of Vehicle Spares	(£25)	(£34)	(£20)
Aerial Sites	(£122)	(£130)	(£140)
Solar Panel Income	(£70)	(£52)	(£50)
Hydrant Tests	(£80)	(£79)	(£90)
Lease Cars - Employee Contributions	(£40)	(£40)	-
General Sales	(£1)	(£1)	-
Service Charges	(£9)	(£2)	(£1)
Secondments	(£38)	(£30)	(£94)
Community Safety general	-	(£39)	-
Labour Credit	(£60)	(£45)	(£50)
Section 13/16	(£50)	(£46)	(£45)
Provision of Hire Vehicles & Equipment	(£12)	(£3)	(£2)
Interest on short term lending	(£65)	(£25)	(£20)
Community Fire Safety	(£360)	(£255)	(£320)
Shared Services Income	-	(£108)	(£52)
Reimbursements from EFA(T)	(£70)	(£94)	(£97)
Other Miscellaneous Income	(£143)	(£96)	(£60)
Emergency Planning Income	(£543)	(£543)	-
Total Income	(£3,781)	(£4,127)	(£3,299)

1- Note figures may not sum due to rounding differences

68. Some of the income changes are entirely offset by a change in the Authority's costs, for example, the Emergency Planning Income reduces in line with costs as responsibility reverts back to the County Council from 1st April 2018. Other significant changes are for Community Fire Safety where we are expecting higher funding for schemes such as Firebreak.

69. In addition to the Solar Panel income listed above it is estimated that the panels will reduce expenditure on electricity by £19k in 2018/19. This is £12k per annum lower than the total benefit of £101k per annum reported in the project closure report.

CAPITAL PROGRAMME 2017/18 – 2020/21

70. The affordability of the overall capital programme remains a key factor for the Authority in the next few years. Only if the overall capital programme can deliver financial benefits to offset the additional revenue burden of its financing costs will the projects outlined in this section be initiated. Most significant projects already require PFCC approval before they can be initiated. All projects coming forward for approval will be required to demonstrate how the financing costs will be met and whether this will be from efficiencies generated by the project or from other areas.

71. The proposed budget is set out below. The most significant projects are the purchase of new pumping appliances, provision of new service workshops and new mobilising system. The budget is summarised in the table below:

	Revised Budget £'000s	Forecast 2017/18 £'000s	Capital Bid 2018/19	Capital Bid 2019/20	Capital Bid 2020/21
CAPITAL BUDGET 2018-19					
Property					
New Premises					
Service Workshops	3,500	500	3,000	3,000	4,000
Existing Premises					
Asset Protection	2,500	1,900	2,000	2,000	2,000
Asset Improvement Works	-	15	-	-	-
Total Property	6,000	2,415	5,000	5,000	6,000
Equipment	626	42	778	125	-
Information Technology					
Projects > £250k	-	-	-	-	-
Projects < £250k	2,400	554	1,970	400	-
Total Information Technology	2,400	554	1,970	400	-
Vehicles					
New Appliances	2,060	2,060	2,060	1,854	-
Other Vehicles	825	170	1,731	972	331
Total Vehicles	2,885	2,230	3,791	2,826	331
Total Capital Expenditure	11,911	5,241	11,539	8,351	6,331

72. The budget includes provision for a replacement to the Service Workshops. The Essex Fire Authority agreed to pause this project in November 2016 until there was clarification around the potential for utilising space at Kelvedon Park to accommodate Essex Police, and there was clarity around the potential for the development of a joint workshop facility with the Police.

CAPITAL RECEIPTS AND CAPITAL GRANTS

73. No material capital receipts are expected in 2018/19.

FUNDING CAPITAL EXPENDITURE

74. The cash generated from the proposed income and expenditure budget is £4.1m with the balance of funding coming from the Authority's cash balances carried forward from 2017/18.

EQUALITY AND DIVERSITY IMPLICATIONS

75. None

WORKFORCE ENGAGEMENT

76. The underlying Efficiency Plan includes all of the Service Changes agreed in 2016. Representative bodies were involved in the development of the service change options and were consulted on before a decision on which option was taken by the Authority. Representative bodies are also involved and consulted on as the specific 2020 projects are developed and delivered.

LEGAL IMPLICATIONS

77. The Commissioner must agree a budget and set a precept by the end of February 2018.

REPORT BY THE CHIEF FINANCE OFFICER TO THE ESSEX POLICE, FIRE AND CRIME COMMISSIONER FIRE AND RESCUE AUTHORITY

1. This paper provides a report by the Chief Finance Officer that reviews of the risks within the 2018/19 budget:

INTRODUCTION

2. The Local Government Act 2003 Section 25 includes a specific personal duty on the "Chief Finance Officer" to make a report to the Authority when it is considering its budget and Council Tax. The report must deal with the robustness of the estimates included within the budget and the adequacy of reserves for which the budget provides. The Act requires the Authority to have regard to the report in making their decisions.
3. Section 26 of the Act gives the Secretary of State power to set a minimum level of reserves for which an Authority must provide in setting its budget. The Secretary of State indicated that 'the provisions are a fall back against the circumstances in which an Authority does not act prudently, disregards the advice of its Chief Finance Officer and is heading for serious financial difficulty'.
4. Sections 32 and 43 of the Local Government Finance Act 1992 also require billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the net budget requirement. There is also a range of safeguards, which either are in place or are about to be introduced, to ensure local authorities do not over-commit themselves financially. These include:
 1. The Chief Finance Officer's S.114 powers, which require a report to the Authority if there is or is likely to be unlawful expenditure or an unbalanced budget; and
 2. The Capital Financing Regulations.

RISK ASSESSMENT

LOCAL GOVERNMENT ACT 2003

5. The Local Government Act does not provide any specific guidance on how to evaluate the robustness of the estimates. The explanatory notes to the act do however identify the need to allow for risks and uncertainties that might lead to expenditure exceeding budget by:
 1. Making prudent allowance in the estimates; and in addition
 2. Ensuring that there are adequate reserves to draw on if the estimates turn out to be insufficient.
6. It is stressed that decisions on the appropriate level of reserves should not be based on a rule of thumb but on an assessment of all the circumstances considered likely to affect the Authority.

CIPFA GUIDANCE NOTE ON LOCAL AUTHORITY RESERVES AND BALANCES

7. The Chartered Institute of Public Finance Accountancy (CIPFA) states that the following factors should be taken into account when the Chief Finance Officer considers the overall level of reserves and balances:
 1. Assumptions regarding inflation

2. Estimates of the level and timing of capital receipts;
3. Treatment of demand led pressures;
4. Treatment of savings;
5. Risks inherent in any new partnerships etc.;
6. Financial standing of the Authority (i.e. level of borrowing, debt outstanding etc.);
7. The Authority's track record in budget management;
8. The Authority's capacity to manage in-year budget pressures;
9. The Authority's virements and year-end procedures in relation to under and overspends;
10. The adequacy of insurance arrangements.

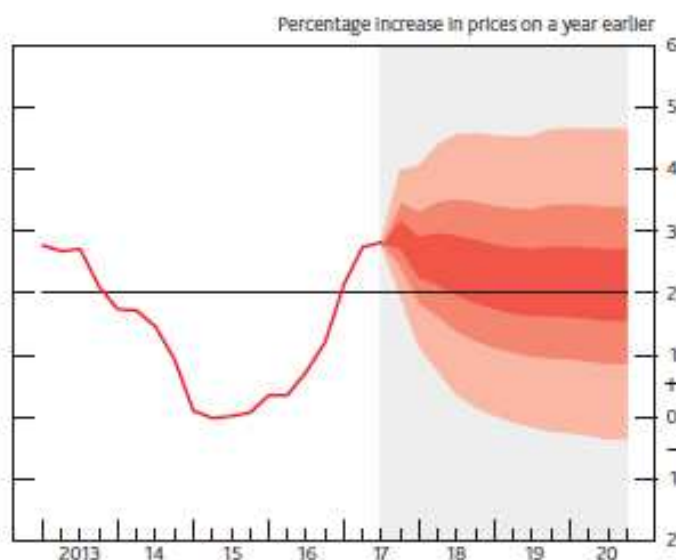
The above are also of relevance when evaluating the robustness of the budget and the subsequent analysis includes comments on these issues.

ISSUES CONSIDERED WHEN EVALUATING THE ROBUSTNESS OF THE ESTIMATES AND THE ADEQUACY OF THE PROPOSED FINANCIAL RESERVES

INFLATIONARY PRESSURES

8. The background economic climate has a higher degree of uncertainty than in recent years with the Brexit negotiations and a higher degree of economic uncertainty. The outlook for inflation is above the 2% target set for the Bank of England. The Bank of England's November 2017 inflation forecast (CPI) is shown below:

Chart 5.2 CPI inflation projection based on market interest rate expectations, other policy measures as announced



9. A key element in the budget preparation process is building in an appropriate allowance for inflation up to 31 March 2019. The budget assumes that fuel and utility prices will increase, no other specific allowances have been built into the budget for pay or price inflation. Instead, an overall inflation and contingency allowance of £700K has been used. If the requirement to increase cash budgets because of pay awards exceeds this provision then either offsetting savings will need to be found elsewhere in the budget, or the additional costs in 2018/19 will

have to be funded from reserves. In most cases, Budget Managers absorb inflationary pressures within their departmental budgets.

10. To assess whether the inflation allowance is adequate it is necessary to consider the impact of both pay and non-pay inflation pressures. Firefighters accepted a 1% pay increase in 2016 and the Fire Brigades Union is consulting its members on whether to accept a similar interim offer with effect from 1 July 2017. Discussion on higher increases, linked to changes to the Firefighters role map are in progress, and the employers have indicated that any higher increase would need additional government funding or precept flexibility.
11. One indication of the adequacy of the inflation provision is whether it would be sufficient for a similar increase. The same level of increase in 2018 across all firefighters would add just £360k to the budget. Government expectations are that public sector pay increases will continue to be limited over the next few years. Local government has already complied with government pressure, but future increases, perhaps linked to changes in the overall terms and conditions agreements are expected. The main pressure within local government is for the lowest paid staff and the move towards increasing the national living wage. These changes do not materially affect the Authority's pay bill.
12. The forecast for inflation is increasing with cost pressures associated with the decline in the exchange rate future economic uncertainty. There is a risk that external factors such as oil and commodity prices will flow through to the prices of goods purchased by the Authority. An overall 4% increase in such costs could add £500k to the Authorities costs. Existing contractual arrangements for key items including utilities and personal protective equipment means that price inflation will be limited to significantly less than this amount in 2018/19.
13. In summary, inflationary pressures remain a financial risk to the Authority's budget, but this is manageable within the overall context of the budget and level of General Balances. In addition there is potential for short term cost savings through restricting activity if necessary.

ESTIMATES ON THE LEVEL AND TIMING OF CAPITAL RECEIPTS

14. There are no material capital receipts expected in 2018/19.

TREATMENT OF DEMAND LED PRESSURES

15. The budget process has sought to identify and allow for demand led pressures. The main uncertainties relate to the following areas:-
 1. Wholetime Duty System Firefighter Numbers
16. The budget makes provision for an average of 632 wholetime firefighters in 2018/19. The staffing forecast reflects recent experience in the timing of retirement decisions by firefighters and the promotion of staff to other Services. If firefighters chose not to retire then there is a potential risk that firefighter numbers would exceed the budgeted number.
 2. On-Call (Retained Duty System) Firefighters
17. This budget has been managed within its overall cash limit in recent years as incident numbers have reduced or plateaued. The use of these staff on a wider

range of community safety and medical activities has the potential to increase the level of expenditure. The budget for 2018/19 reflects the current level of activity.

18. Management controls enable the Authority to mitigate the risk and manage the level of expenditure, demand led pressure for operational activity could increase costs in this area. There is a specific earmarked reserve to manage any major increase in the costs of on-call firefighters with an allowance of £0.5m proposed for any potential in-year budget pressures resulting from increased activity levels.

3. Other

19. Other potential expenditure pressures could result from factors such as an unanticipated need for urgent replacement of operational equipment and a need to respond to nationally driven changes in operational procedures. Such factors are viewed by the Service as relatively low risks and while if they did materialise it could lead to additional expenditure of in the order of £0.3m, there would be some scope to meet such costs within the existing budget provision by re-prioritisation.

4. Industrial Action

20. It should also be borne in mind that the Service is going through a time of change. At the time of writing this paper there is one long standing national dispute affecting the Authority on pensions and the potential for a further dispute if agreement is not reached on a pay settlement. There is potential for these to result in strike action. The present resilience arrangements have a fixed (and budgeted) cost of £0.4m. The implementation of these resilience arrangements costs depends on the nature of the strike action taken. To date such costs have been managed within the overall budget.

RISKS INHERENT IN PARTNERSHIP ARRANGEMENTS ETC

21. The Authority is involved in a range of partnership arrangements mainly in the area of community safety. The financial risks from these partnerships could lead to lower levels of income and partnership funding. A partnership policy is in place, all partnerships are actively managed to mitigate this risk.

FINANCIAL STANDING OF THE AUTHORITY (LEVEL OF BORROWING, DEBT OUTSTANDING ETC.)

22. This is becoming a less significant issue for the Authority. At 31 March 2017, the Authority had £28.0m of long term debt to fund capital expenditure and a further £0.3m of finance lease obligations. No additional borrowing is planned for 2018/19. Further significant capital spending is projected over the next few years. The revenue impact of the planned spend for 2018/19 is included within the budget, and the level of borrowing is within the limits set as part of the bi-annual review of capital financing.

23. At 30 November 2017, the cash balance is projected to be £16m.

THE AUTHORITY'S TRACK RECORD IN BUDGET MANAGEMENT, INCLUDING ITS ABILITY TO MANAGE IN-YEAR BUDGET PRESSURES

24. The Authority has a proven track record in financial management and has been able to restrict expenditure to keep within the overall budget. The most recent internal

audit report confirmed that the Fire & Rescue Authority can take substantial assurance from the budgetary controls in place.

25. However, the discipline of Financial Regulations – not incurring spending without the necessary budget provision – must be rigidly observed and the monitoring of the riskier budgets must be given priority. It remains of paramount importance that regular reports continue to be produced on all budgets throughout the year to identify emerging problems at the earliest opportunity. This will allow maximum benefit to be accrued from any corrective action taken.
26. Incremental improvements to financial processes to ensure that all orders and commitments are captured have been made and an Authority wide Contracts Register is in place. There is a high degree of visibility in the level of financial commitments and expenditure for managers who control budgets and their Directors. Management accounts are produced on an accruals basis to ensure that all expenditure incurred is included.
27. The Authority has managed to restrict expenditure in advance of the expected cuts in government funding and achieved significant efficiency savings over the past few years. We have an excellent track record in anticipating and preparing for significant change, and on delivering planned budget savings.

THE AUTHORITY'S VIREMENT AND YEAR-END PROCEDURES IN RELATION TO UNDER AND OVERSPENDS

28. The Authority has embedded virement procedures that require senior approval to allow funds to be moved to areas of pressure. Budgeted expenditure is only transferred from one budget year to the next with the agreement of the Authority.

THE ADEQUACY OF RISK PROTECTION ARRANGEMENTS

29. Current risk protection arrangements are through a company created in partnership with a consortium of nine fire and rescue authorities. The Authority is one of the larger Authorities in the group (along with Devon & Somerset, Hampshire and Kent) who bear the first part of each loss. These limits are £50k for motor claims (own damage only), £25k for public and employers liability and £5k for property. In addition, the Authority maintains a provision for the value of unsettled and unknown claims. These arrangements have delivered significant savings to the Authority over recent years and are providing stability in risk protection costs,
30. There is a potential risk that this will expose the Authority to an increase in costs if consortium members experience a high level of claims. To reflect this potential risk the level of reserves held for risk protection related costs has been set at £50k. This is the amount of a potential call on the Authority for funding for FRIC. The consortium continues to work together on benchmarking and improving risk management to help to mitigate this risk, and FRIC now has more than £500k of reserves and as a result the likelihood of the risk occurring has reduced.

PENSION LIABILITIES

1. Fire-fighters

31. The liability for firefighter pensions, whilst remaining with the Authority has been transferred to a separate account funded by government grants. The level of authority contributions remains unchanged in 2018/19.

2. Support staff

32. The Authority contributes to the Essex County Council Local Government Pension Fund in respect of its control and support staff, which are invested in order to meet its liability to provide for the benefits provided to past employees and future benefits for existing employees. The Fund is valued every three years with the most recent valuation based on the position as at 31 March 2016. The level of contributions by the Authority is fully reflected in the 2018/19 budget and these rates will be fixed until March 2020.

RESERVES

33. The general reserves of the Authority were £6,754k on 1 April 2017. In addition there were ear marked reserves of £5,459k and a Capital receipts Reserve of £7,025k. In 2017/18 there have been no material additional capital receipts. The present forecast suggests that the Authority has a net use of the capital receipts reserves of £269k in 2017/18 compared to the budget requirement of £1,361k. The budget for 2018/19 requires a balance of £2,564k from the capital receipts reserve.

EARMARKED RESERVES

34. The Authority has established specific reserves to manage key financial risks. Movements between these specific reserves are determined by the Treasurer and reported to Members. The table below considers the specific reserves planned and the timetable for their review:

Specific Earmarked Reserves	Comment & Review	March 2017 Balance £'000s	March 2018 Projected Balance £'000s	March 2019 Projected Balance £'000s
Emergency Planning	To hold savings on the costs of Emergency Planning. Balance to be transferred to Essex County Council after 31st March 2018	437	428	-
On-Call Demand Pressures	Main area of risk is retained pay budget. Need to provide £0.5m in case of in-year pressure	600	500	500
Spend to Save Reserve	March 2018 - Balance of Funding for Sprinklers and £200k for Apprentices support	932	571	-
Taxbase and Collection Account Reserve	Last shortfall in 2012/13. Since then average of over £500k favourable balance.	200	100	100
National Non-Domestic Rates Collection Reserve	Risk remains through pooling arrangements, but considered low. Managed in-year	200	100	100
Infrastructure Reserve	To support future capital expenditure on buildings.	2,400	2,400	2,400
Rolling Budgets Reserve	To hold balances of expenditure carried forward into the next financial year.	140	-	-
Business Continuity Reserve	To provide funds for any business interruption event not covered through risk protection funding. Reduced to reflect participation in FRIC	300	100	100
Risk Protection	Expected limit of calls from FRIC.	250	50	50
Total Earmarked Reserves		5,459	4,249	3,250
General Reserve		6,754	6,754	6,754
Capital Receipts Reserve	Receipts from the sale of capital assets (property and vehicles). £1,361k used to balance 2017/18 budget.	7,025	6,756	4,192
Total Usuable Reserves		19,238	17,759	14,196

35. The planned changes in ear-marked reserves by March 2018 allows the release of £1,479k of reserves. It is recommended that these are used to make voluntary contributions to capital financing.

36. The assessment of the general level of reserves takes into account the factors noted below:

Factor	Comment	Lower Limit	Upper Limit

Factor	Comment	Lower Limit	Upper Limit
Inflation and interest rates	The increase in the overall level of borrowing exposes the Authority to a degree of risk in the future if loans cannot be replaced at a similar interest rate. An increase of 2% on a loan of £20m would add £0.4m of costs equivalent to 0.6%	0.6%	1.5%
Level and timing of capital receipts	At present, the Authority is funding a significant capital programme with a gap before capital receipts will be realised. This risk is offset by high cash balances which eliminate the need for borrowing in 2017/18	0.2%	0.5%
Savings Track Record in Budget Management Capacity to Manage in Year Budget pressure	Good track record of delivering savings identified.	1.5%	5.0%
Partnerships	Increased risks associated with Community Budgets. Limited partnership funding of £0.2m pa	0.2%	1.0%
Financial Standing	Increasing level of borrowing limits future flexibility. Separate provision for future years.	0.5%	2.0%
Total		3.0%	10.0%

37. The lower limit of 3.0% of turnover equates to £2.1m and the upper limit of 10.0% of turnover equates to £7.0m. The Authority is close to the upper point of this range.

CONCLUSION

38. Given the level of total usable reserves available in 2018/19 of £17.8m; the prudent approach to the budget setting process for next financial year; and the Authority's good past record of budget management, it is my conclusion that there is sufficient capacity in the budget to cope with the financial risks the Authority faces in 2018/19 and future years.

C Garbett
Chief Finance Officer



ESSEX POLICE, FIRE AND CRIME COMMISSIONER, FIRE AND RESCUE AUTHORITY

Budgetary Control and Financial Planning

DRAFT Internal audit report: 6.17/18

12 January 2018

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

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Debrief held	15 December 2017	Internal audit team	Daniel Harris, Head of Internal Audit Suzanne Rowlett, Senior Manager Anna O'Keeffe, Client Manager Hollie Sheppard, Senior Auditor
Draft report issued	12 January 2018		
Responses received			
Final report issued		Client sponsor	Glenn McGuinness, Assistant Director of Finance
		Distribution	Glenn McGuinness, Assistant Director of Finance

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Management actions raised for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

1 EXECUTIVE SUMMARY

1.1 Background

An audit of Budgetary Control and Financial Planning was undertaken as part of the approved internal audit periodic plan for 2017/18. This review has primarily focused on the Budgetary Control and Financial Planning processes for 2018/19 to date.

In May 2016, the Government offered Fire and Rescue Authorities a four-year funding settlement for the period 2016/17 to 2019/20 following the submission of a robust efficiency plan. The Authority has in place a combined Medium Term Financial Plan (MTFP) and Efficiency Plan known as their Medium-Term Efficiency Plan (MTEP) that was approved via a formal letter of acceptance by the Home Office in December 2016. The Authority's MTEP has been guaranteed funding until 2020 by the Government and this MTEP informs their budget.

The 2018/19 budget represents a transitional period in the move towards a balanced budget for 2020 and onwards. The potential for future savings in the costs of enabling services and property through collaboration and integration with Essex Police remains, but the timing of these savings is not in the direct control of the Authority and have therefore not been included in the 2018/19 budget; but have in the MTEP.

The Fire Authority approved a budget of £70.13m for 2017/18 and at the time of audit the Essex Fire and Rescue Strategic Board had provisionally approved a budget of £70.04m for 2018/19. We have included a summary of the 2018/19 budget and current forecast for 2017/18 in Appendix A of this report.

As part of this review we have also undertaken a survey on budget holders to gather feedback on the Authority's budget process and the training and support available to these individuals. The findings of this survey have also been summarised in Appendix A of this report but also support the one low priority management action agreed as part of this review.

The objective of this audit was to review the control framework in place for Budgetary Control and Financial Planning to ensure that the overall cost of the Authority is effectively managed so the organisation can continue to serve and protect the community.

1.2 Conclusion

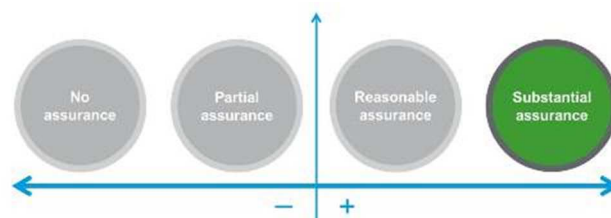
Overall our review found that the control framework in place for budgetary control and financial planning was adequate. Variances had been identified in the current budget and in the delivery of the MTEP 2016-2020 especially with regards to increases in pay. To ensure the achievement of a balanced budget within the Medium-Term Efficiency Plan, the Authority has earmarked £16.5m of reserves out of £19.2m reserves balance as at 31 March 2017 to be used if required.

Whilst these reserves have been earmarked for use over the lifetime of the plan, in the 2017/18 budget, the Authority have actually planned to use only £1346k of reserves. But as the Service is currently £1.1million underspent in this year's budget, no reserves have yet been used and have forecasted their overall spend for 2017/18 to be in line with the budget. Furthermore, though there have been reserves earmarked for use in the delivery of the plan for 2018/19 and beyond, the Authority have planned to use only £684k reserves in the budget 2018/19.

As part of the Medium Term Financial Strategy and Report on Progress Against Efficiency Plan that was presented to the Essex Fire Authority on 6 September 2017 the Authority had identified the key risk implications for 2018/19 and projections for the remainder of the plan. We found that the Authority had also considered key risks beyond the plan that need to be considered. After 2020 the Authority have predicted that there is a high risk of further reductions in government funding and noted that work will need to start in 2018 to consider how this risk should be addressed.

Internal audit opinion:

Taking account of the issues identified, the Police, Fire and Crime Commissioner, Fire and Rescue Authority can take substantial assurance that the controls upon which the organisation relies to manage the identified risks are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

Medium Term Efficiency Plan and 2018/19 Budget

We reviewed the MTEP for 2016 – 2020 and found that the Authority had covered key aspects of the financial plan including service change and savings proposals, financial projections and the Authority's strategy to use reserves to balance the budget. The MTEP also set out their approach to collaboration, key risks and the Authority's performance management strategy.

We reviewed the letter from the Home Office in May 2016 to the Chief Fire Officer that set out the requirements of the MTEP. Compliance with the Home Office MTEP requirements was demonstrated in the Home Offices letter of acceptance dated December 2016 to the Authority, following the submission in October 2016. Subsequently, the Authority have been guaranteed the funding settlement until 2020.

Alignment of the MTEP and 2017/18 & 2018/19 Budgets

On review of the February 2017 Essex Fire Authority (EFA) minutes we found that the 2017/18 budget had been approved and included a Council Tax increase of 1.99 percent and the 2017/18 provisional settlement figures that were announced on 15 December 2016 which reflected those expected in the MTEP.

We reviewed the 2018/19 budget paper to the Essex Fire and Rescue Strategic Board on 6 December 2017 and we were advised by the Assistant Director of Finance that the budget had been provisionally approved (minutes had not been formalised at the time of review) based on an assumed council tax precept of 1.99 percent. The budget included a one percent provision for pay settlements and a continued provision of £0.4m of additional costs for community safety activities in the year using support staff roles that we found was in line the MTEP. We found that the budgets included the phased delivery of service changes in accordance with the agreed 2020 programme and therefore the Authority's budgets had been informed by the MTEP.

Assumptions

The MTEP was reviewed by the Authority in September 2017 and subsequently approved. We reviewed the MTEP progress report that was presented to the EFA on 6 September 2017 and the 2018/19 budget paper to the Essex Fire and Rescue Strategic Board on 6 December 2017. On review, we found both documents adequately detailed the assumptions made to underpin the plan/ budget and the Authority's rationale for these assumptions. We reviewed the 2018/19 budget working papers and found that the current FTE compared to the required FTE had been calculated by budget area and any new or reduction in posts to the establishment had been rationalised. We also found that the Authority have budgeted for a pay increase of one percent year on year as per the MTEP. The Finance Manager advised that pensions had been based on historical information and we found the logic behind these calculations were reasonable. We therefore found that the EFA had used reasonable assumptions to underpin the MTEP and the 2018/19 budget.

The Efficiency Plan assumes an increase in the council tax precept of two percent for 2018/19 and 2019/20. For recent years the government set a cap on council tax increases of two percent (before a referendum is required for any proposed increases above 2 per cent).

Sensitivity Analysis

Options Paper: When the service was remodelled to create efficiency, and set out to have a balanced budget by 2020, a range of options were considered following a summary report by Operational Research in Health Limited. On review of the report we found it provided an overview of the analysis and modelling options undertaken. The Assistant Director of Finance advised that the results from this review formed part of the Service's 2020 Programme to develop a set of options for service delivery for 2020 to meet the challenges of a reduced budget and informed the MTEP. We also reviewed the Options for Change 2016-20 – Change Programme paper to the EFA on 8 June 2016 and found the paper had set out the various options and the financial impact on the service.

MTEP: We reviewed the Medium Term Financial Strategy and Report on Progress Against Efficiency Plan that was presented to the EFA on 6 September 2017 and found that a range of scenarios and implications had been considered for 2018-2020. This included key risks such as pay increases, funding changes, establishment and inflation projections. In forming the MTEP, Finance completed a high-level sensitivity analysis and formed financial projections for 2020-2024. This forward planning included an analysis of the financial implications of key budget influencing factors such as funding, inflation and cost savings across a range of three different views (optimistic, realistic and pessimistic). We therefore found that the Authority had undertaken sensitivity analysis for the MTEP that included a range of scenarios.

Budget Holder Statements

We reviewed three months emails (April, June and July 2017) from the Finance Team to all budget holders stating that the initial budget reports were available for review and a link to where these had been stored on the shared drive. We found these emails had been sent within the first five working days of the month as required.

For the same three months, we reviewed the emails from Finance to all budget holders stating that the final budget reports were available for review and a link to where these had been stored on the shared drive. In all cases we found that the final reports had been sent by month end.

Review of Statements and Variances Monitoring

Through review of correspondence between Finance and budget holders from 1 April – 6 December 2017; for a sample of 10 variances / issues with the budgets we found in all cases variances or issues with the budget had been identified, discussed and actions taken to address them where necessary.

Financial Performance Reports

Performance and Resource Board (PRB): We reviewed the minutes for the (October - November 2017) PRB meetings and found that the Finance report had been presented and discussed. Through review of the minutes we found actions had been recorded in an action log and assigned action owners and dates for completion. The minutes showed that the PRB had reviewed action logs from the previous meetings and had agreed closures and updates on the actions raised.

We reviewed a sample of actual expenditure against budget figures in the October and November 2017 Finance reports and found these reconciled to the source data on DREAM. Therefore, we found the financial information reported was accurate.

Strategic Board: The Police, Fire and Crime Commissioner, Fire and Rescue Authority took over the Essex Fire Authority as of 1 October 2017. Since then, a Strategic Board has been in place and a meeting was held was 6 December 2017. Whilst the minutes had not been formalised at the time of audit; we reviewed the agenda and reports and found that the Board had initially been presented key documents such as the MTEP, the September 2017 MTEP progress report and the draft budget for 2018/19. We also reviewed Strategic Board meeting planner and found regular Board meeting dates had been scheduled until December 2018.

We have also agreed one low priority management action in relation to budget holder training that we have detailed in section two of this report.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Risk	Control design not effective*		Non-Compliance with controls*		Agreed actions		
					Low	Medium	High
SRR150001 - If we have a large or unexpected loss in our income or cash there is a risk that we will have to reduce the level of prevention, protection and response services we provide to our communities.	1	(9)	0	(9)	1	0	0
Total					1	0	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those risks of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (Yes/No)	Controls complied with (No/N/A)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
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Risk: SRR150001 - If we have a large or unexpected loss in our income or cash there is a risk that we will have to reduce the level of prevention, protection and response services we provide to our communities.

1.1	Budget Holder Training The Authority has introduced a new course called Finance for Non-Financial Managers. This course is externally given and there have been two courses to date. Not all budget holders have yet attended this course due to class sizes but there are further dates planned for the remaining staff to attend. The training includes training on generic financial topics as well as budgeting. This is so	No	Yes	Finance for Non-Financial Managers Course We reviewed the course information for the Finance for Non-Financial Managers training and found that the externally training is a generic Financial course that included an area on the types of budgets, budget preparation and budget monitoring. Through discussion with the Assistant Director of Finance we were advised this Finance course was introduced so that key management staff as well as budget holders could gain a wider overall understanding of Finance and financial implications. This is so that staff have a greater understanding of their budget and financial impact in the	Low	We will review the effectiveness of budget holder training and update this as required following the results of the survey		
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Ref	Control	Adequate control design (Yes/No)	Controls complied with (No/N/A)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	that all management have an overarching understanding of Finance. Also, budget holders have responsibility for providing the budget figures but have support of the Finance Managers informally if needed throughout the budget build process.			<p>context of the Authority as a whole; and so that budgets are not prepared with a silo view within budget areas.</p> <p>We reviewed a report from the training and development system for the course and found that two of these courses run had been held since September 2016.</p> <p>Of the 14-budget holders, we found five had received and attended the course as per the training records on the training and development system.</p> <p>Through discussion with the Assistant Director of Finance we were advised that the Authority will have more of these external courses planned for 2017/18 where key staff will be trained. We were advised not all staff have attended the course thus far, due to limitations on the number of attendees and this course being externally delivered.</p> <p>Budget Holder Support and Training Survey</p> <p>Through discussion with the Assistant Director of Finance and a Finance Manager we were advised that budget holders have continuous support of the Finance Managers informally throughout the entire budget process pre-and post-build.</p> <p>As part of this audit we developed a budget holder questionnaire to gather direct feedback from staff on whether they felt the support and training provided was for their role as a budget holder.</p> <p>Our survey found that generally:</p>				

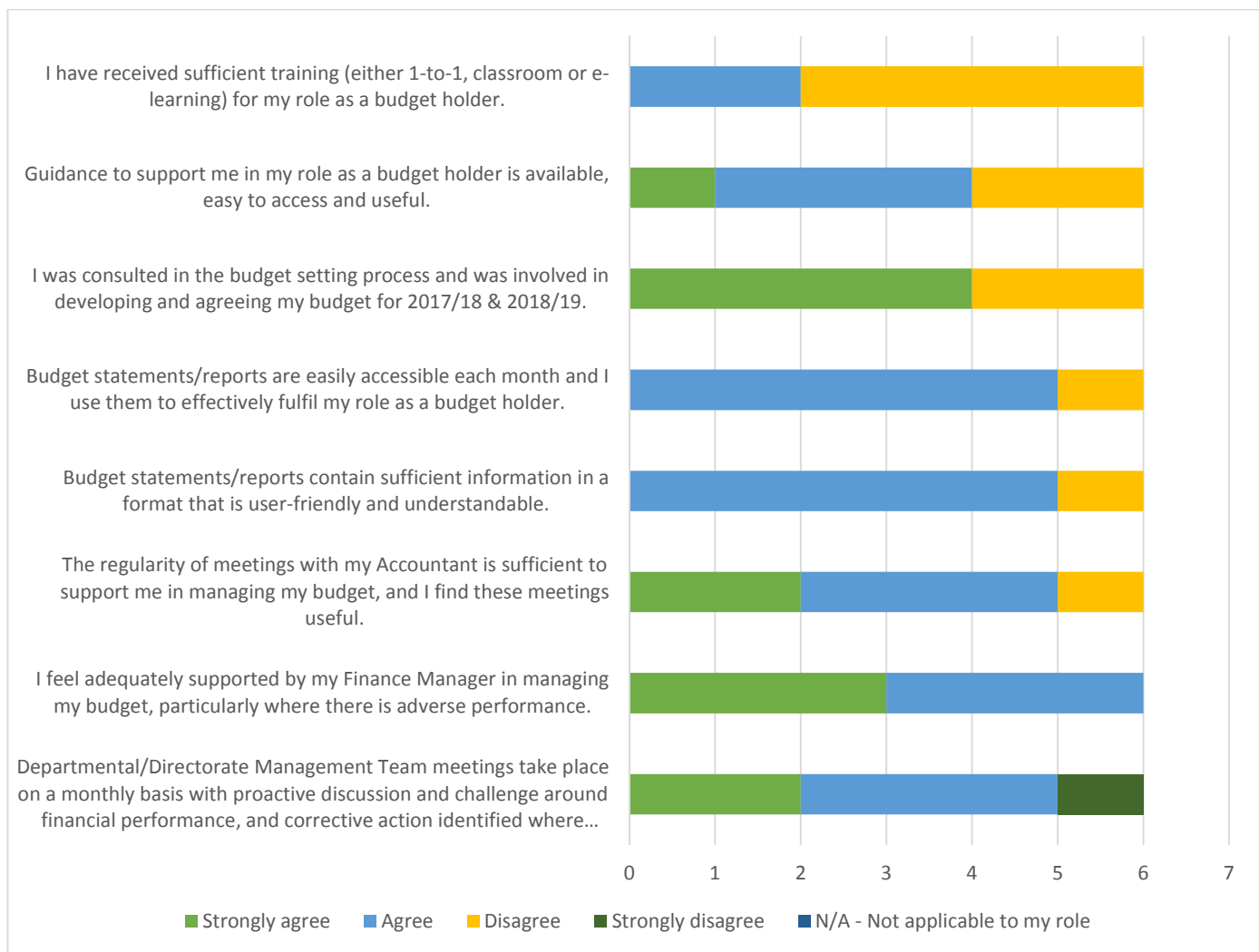
Ref	Control	Adequate control design (Yes/No)	Controls complied with (No/N/A)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner	
				<ul style="list-style-type: none">Staff found guidance to support them as a budget holder was easy to access and useful.The regularity of meetings with their Finance Manager was sufficient to support budget holders in managing their budget, and staff found these meetings useful;Budget holders felt adequately supported by their Finance Manager in managing their budget, particularly where there is adverse performance. <p>However, our survey identified in the majority of cases budget holders felt they had not received sufficient training (either one-to-one, classroom or e-learning) for their role as a budget holder.</p> <p>If budget holders do not receive or feel like they have received sufficient training there is a risk that the required budget build process will not be as efficient and effective as practicably possible. This could also lead to a lack of budget holder buy in to the Authority’s budgetary control and financial planning process to the financial detriment of the organisation.</p>					

APPENDIX A: FURTHER BUDGET INFORMATION AND BUDGET HOLDER SURVEY RESULTS

As per the 2018/19 Budget paper presented to the Essex Fire and Rescue Strategic Board on 6 December 2017 the budget for 2018/19 is summarised below and compared to the most recent forecast for 2017/18.

Description	2017-18 Budget £'000s	2017-18 Forecast £000's	2018-19 Budget £'000s"
Firefighters	28,849	28,785	29,674
Firefighters - Retained Duty System	6,086	5,925	6,353
Control	1,382	1,375	1,436
Support Staff	13,209	13,582	12,433
Total Employment Costs	49,526	49,668	49,896
Support Costs	1,944	1,988	1,802
Premises & Equipment	10,474	10,138	10,673
Other Costs & Services	3,761	3,658	3,549
Firefighters' Pension Scheme	2,118	2,221	2,200
Financing Items	6,160	5,349	4,515
Operational income	(3,781)	(4,127)	(3,299)
Contribution to/(from) Reserves	(73)	(73)	700
Total Other Costs	20,602	19,153	20,141
Total Budget	70,128	68,821	70,037
Total Funding	(70,128)	(69,913)	(70,037)
Funding Gap / (Surplus)	0	(1,092)	(0)

In this review, we also undertook a survey of budget holders to gather feedback on the budget process and the training and support they have received within their roles as budget holders. 43 percent of the current budget holders provided a response to our survey and the results are detailed in the graph below.



Further feedback from budget holders included:

“I get a great service from Finance personally but I’ve scored the reports lower as they are not really user friendly. I have never been asked what financial management information I would like to see. I was asked to provide the figures I would like to see in my budget next year, there is no draft budget issued for discussion or any negotiation so I would not consider I am consulted; I am informed.”

APPENDIX B: SCOPE

The scope below is a copy of the original document issued.

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following risks:

Objective of the risk under review	Risks relevant to the scope of the review	Risk source
Financially Sustainable: Identifying ways to ensure that the overall cost of the Service is managed to accommodate future reductions in Government funding while limiting any council-tax increases to thresholds set by Government or the Fire Authority.	SRR150001 - If we have a large or unexpected loss in our income or cash there is a risk that we will have to reduce the level of prevention, protection and response services we provide to our communities.	Strategic Risk Register

When planning the audit the following areas for consideration and limitations were agreed:

This review will ensure that:

- A medium term financial plan and annual plan have been established;
- Reasonable assumptions have been made to underpin the plans which are consistent with national planning guidelines;
- Sensitivity analysis have been completed for the medium term financial plan including a range of scenarios;
- The medium term financial plan and annual budget have been reviewed and approved at an appropriate level;
- The annual budget has been accurately uploaded to the finance system;
- Budget Holder statements are produced on a monthly basis;
- Statements are subject to review by the Finance and the Budget Holder. Variances are identified, discussed and actions taken to address them where necessary;
- Actions are logged and monitored through to completion;
- Financial performance reports are reviewed by senior management and the governing body. Variances are discussed and where necessary, actions are taken to address performance; and
- Support and training is provided to Budget Holders.

Limitations to the scope of the audit assignment:

- Our testing was primarily based on the budget build and financial planning period for 2018/19. Some areas of testing we will only be able to test the current financial period for 2017/18;

- We will not verify the accuracy of any financial forecasting;
- We will not verify that the financial plan is sufficient to meet the needs of the service users;
- We will not provide assurance on the ability to meet the financial and budget plans, or that the financials are sufficient to meet the Business Plan.
- We will not confirm that adequate contingency has been included within the plan;
- We will not confirm that accuracy of transactions on the ledger;
- We will not guarantee that the financial plan will be achieved;
- All testing will be sample based compliance testing only; and
- Our work will not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

APPENDIX C: FURTHER INFORMATION

Persons interviewed during the audit:

- Glenn McGuinness, Assistant Director of Finance
- Jayesh Padania, Finance Manager
- Paula Drane, Finance Manager - Reporting

FOR FURTHER INFORMATION CONTACT

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AGENDA ITEM 6

Essex Police, Fire and Crime Panel	EPFCP/03/18
Date: 22.01.18	

Report title: Confirmation Hearing: ECFRS Chief Fire Officer and Chief Executive

Report by: Susannah Hancock

Email: Susannah.hancock@essex.pnn.police.uk

1. Purpose of report

The Police, Fire and Crime Panel is required to undertake a confirmation hearing to review and endorse the appointment of a new Chief Fire Officer.¹

This report sets out the process undertaken by the PFCC to recruit a new ECFRS Chief Fire Officer. It seeks confirmation from the panel of the PFCC's preferred candidate, Ms Jo Turton.

2. Recommendation

That the Police, Fire and Crime Panel endorse the confirmation of Jo Turton as the new Chief Fire Officer and Chief Executive of Essex County Fire and Rescue Service on a salary of £147K.

The new appointment will commence on the 1st April 2018.

3. Background

Roger Hirst became the PFCC (FRA) on the 1st October 2017. On appointment, he announced plans to recruit a new Chief Fire Officer. The current Chief Fire Officer, Adam Eckley, had confirmed prior to the 1st October that he would retire at the end of March 2018.

¹ The report is prepared in line with the Policing and Crime Act 2017 schedule A2 (8(1)) with ref to section 28 (5) of the Police Reform and Social Responsibility Act / Schedule 8, in relation to the confirmation of a new Chief Fire Officer.

The PFCC committed to undertake an open, transparent and rigorous recruitment process to ensure that the best possible candidate was selected for the role.

4. Recruitment process:

- 4.1 As reported to the Panel at their 7th December meeting, the PFCC went out to tender through an open recruitment process and appointed Gatenby Sanderson, an independent recruitment agency with considerable experience in senior public sector appointments, to run the recruitment campaign.
- 4.2 A recruitment campaign was run for 3 weeks from 17th October 2017, with advertisements placed in a range of media and online recruitment websites. The recruitment pack is attached at Annex A and the advert at Annex B. Applications were encouraged from a range of professional backgrounds, including those with direct operational experience of Fire and Rescue services and those with skills in public service transformation and culture change.
- 4.3 At the end of the application period, all applications were reviewed and scored in relation to the published Job Description and Person Specification. A longlist of 9 candidates was selected.
- 4.4 Each of the longlist candidates was then interviewed by the recruitment agency to assess their skills, experience and suitability for the role.
- 4.5 On 28 November, a shortlisting meeting took place to assess and score the 9 longlist candidates. The meeting involved the PFCC, Deputy PFCC, OPFCC Chief Executive, lead recruitment consultant and members of the interview panel as follows:
 - Peter Holland – Home Office Fire and Rescue Senior Advisor
 - Lyn Carpenter – Chief Executive Thurrock
 - Ian Davidson – Chair of Safer Essex
 - Mark Coxshall – Local authority councillor
- 4.6 The assessment meeting resulted in 4 candidates being shortlisted for interview on the 12th Dec.
- 4.7 In the week prior to the 12th Dec, each of the 4 shortlisted candidates undertook a number of psychometric tests, facilitated by Gatenby Sanderson, to assess their leadership capabilities. The results of these tests were then fed into the interview and assessment day.
- 4.8 The 12th Dec assessment day comprised of the following elements:

- Panel interview with the 6 panel members, which included a presentation from the candidate on culture change and a range of questions from panel members to test experience, skills and suitability.
- Meeting with the Chief Constable and Deputy Director East of England Ambulance Service to discuss collaboration
- Media scenario test
- Written test – Candidates asked to draft an internal staff briefing around culture change

- 4.9 Each of the exercises were individually scored and the scores combined to produce a total for each candidate. **The candidate who scored the highest was Jo Turton.**
- 4.10 The PFCC and panel members felt that Jo had excellent leadership skills and extensive experience in delivering culture change across complex, multi-stakeholder environments. Her experience as a local authority Chief Executive at Lancashire County Council, alongside her prior experience at the Audit Committee, stood her in good stead to deliver the transformation and cultural change needed at ECFRS.
- 4.11 A copy of Jo Turton's CV and personal statement is attached at Annex C.

5. Proposal:

The panel is asked to confirm the appointment of Jo Turton as the new Chief Fire Officer and Chief Executive of Essex County Fire and Rescue Service.

On confirmation, Jo Turton will commence in post on the 1st April 2018.

6. Next steps:

Once in post, in discussion with the PFCC, Jo Turton will develop her new senior team. This may involve changes to the previous Fire Authority's decision on senior management team structure and may include the appointment of an operational deputy. This would be a similar to the model adopted in Fire and Rescue Services such as Kent.



Chief Executive & Chief Fire Officer

Candidate Information Pack

October 2017



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Welcome Letter from the Police, Fire and Crime Commissioner

Thank you for your interest in the role of Chief Executive & Chief Fire Officer of Essex County Fire and Rescue Service.

We at the ECFRS are extremely proud of our history of improving the safety of the people of Essex, but following some thought-provoking reviews of our organisational culture, we face a period of considerable challenge which we must successfully address in order to ensure that we can continue to provide effective fire and rescue services.

I am extremely honoured and very pleased to have recently become this country's first Police, Fire and Crime Commissioner. By bringing the strategic direction of the Fire & Rescue and Police services together and enhancing the way they collaborate, we will be able to deliver further improvements to keep the people of Essex safe. This change in governance, coupled with the imminent retirement of our Chief Fire Officer, creates an opportunity for ECFRS to deliver the cultural transformation that is so badly needed.

We now seek an inspirational, progressive and experienced Chief Executive/Chief Fire Officer, to act as the catalyst for this transformation, and provide the strong and courageous leadership required to deliver and embed the necessary change. We need a leader who can continue to deliver our high standards of operational delivery, whilst also engaging positively with the unions, and working collaboratively with Essex Police.

Thank you for taking the time to learn more about the challenges that ECFRS face, I look forward to receiving your application.

Roger Hirst

Essex Police, Fire & Crime Commissioner



About Essex County Fire & Rescue Service

Our purpose: We improve, protect and save lives.

Our vision: To make Essex a safe place to live, work and travel.

Our priorities: Service Led, Community Focused, Kind Culture, Financially Sustainable.



Essex County Fire and Rescue Service is one of the largest Fire and Rescue Services in the country, serving a county within which there are a wide variety of risks.

Essex is a county of contrasts. It contains numerous ecologically important areas and manages one of the largest sections of coastline (350 miles) in the country. There are various conservation areas and over 14,000 listed buildings. Essex is an attractive place to live, work and has a rural and urban mix featuring excellent transport links and leisure opportunities which attracts people to the area. Significant numbers of people settle in Essex, and employment opportunities attract economic migrants.

ECFRS provides prevention, protection and emergency response services from 50 fire stations staffed by wholtime and on-call firefighters. The organisation is administered from its Headquarters at Kelvedon Park in Kelvedon, where the Service also has a mobilising Control Centre. Change of Governance

Change of Governance

Roger Hirst, who was elected to become Police and Crime Commissioner for Essex in May 2016, took on his new role as the Police, Fire and Crime Commissioner for Essex on the 1st of October 2017.

He is the first PCC in the country to have received approval from the Home Secretary to take on the governance of the fire and rescue service in addition to his existing role with the police service. This change was approved after submitting a detailed business case to the Home Office after a period of local consultation. He now replaces the members of the former Essex Fire Authority and will be responsible for having oversight of the fire and rescue service in Essex, setting its strategy and budget and holding the Chief Executive/Chief Fire Officer to account. Mr Hirst carried out a full public consultation exercise involving members of the public, staff and officers from both services, local councils and MPs in the Spring. The consultation feedback was in favour of the PCC taking on governance of the fire service. A business case was submitted to the Home Secretary in May of this year and the Home Office announced in July that it had approved the decision.

Additional information

Our 2016 to 2020 strategy can be found [here](#)

Job Description

Department:	Service Leadership
Role Code:	
Grade/Rank:	Chief Executive/Chief Fire Officer
Responsible to:	Police, Fire & Crime Commissioner
Responsible for:	Service Directors

Job Purpose:

Responsible to the Commissioner for making Essex communities safer by leading the direction and the provision of an efficient and effective management strategy that ensures service delivery of the key objectives of the Authority. Accountable for the provision of expert advice to members and other key stakeholders and local and national level. Accountability for delivering organisation change and development.

Accountable for provision of expert advice on Fire and Rescue in order to enable effective risk and regulatory services of the Essex County Fire and Rescue Authority including fire and rescue, emergency planning and business continuity planning. Ensure the Fire and Rescue Authority fulfils its statutory responsibilities and meets local need. To lead and develop the Authority's contribution to sustaining and delivering the multi-agency partnerships for safer communities, emergency planning and response and any related issues.

Main Duties and Responsibilities:

1. Direct and lead the Service through change at a strategic level to ensure it successfully achieves its business objectives and accommodates the challenges facing the Authority, through the effective use of the resources available.
2. Deliver the required cultural transformation in accordance with recent independent reviews.
3. Lead and be accountable for the internal management of the Service, co-ordinating activities to deliver the Authority's objectives.
4. Lead and be accountable for planning, programme and performance management and quality assurance processes across the Service.
5. Champion the benefits of a safe, inclusive and diverse workplace to the business of the Authority. Ensure that the Service operates and promotes fair and open practices relating to employment and service delivery. Utilise the relevant legislation relating to equality, fairness to present the Service as an employer of choice.

6. Ensure effective management of budgets and the monitoring processes that ensure compliance with the relevant legislation and the constitutional requirements of the Authority. In conjunction with the Monitoring Officer and Section 151 Officer advise the Commissioner accordingly to ensure that standards of governance are maintained.
7. Proactively build and maintain collaborative relationships and partnerships. Build constructive relationships with staff representative organisations to develop and foster a positive industrial relations climate that facilitates change.
8. Assume the role of Principal Officer within a multi-agency Strategic Co-ordinating Group setting or as Chief Executive/Chief Fire Officer responsible for the strategic management of the Service during a major emergency.
9. Working with the Commissioner, make submissions to influence policy decisions that will affect people in Essex. Set the pace for the organisation; providing and actively promoting clear, consistent, highly visible leadership across the service to build a culture of trust, high performance and continuous improvement. Lead, manage and develop a highly effective Service Leadership Team that works strategically, collaboratively, and promotes a corporate 'one team' approach.
10. Positively contribute to and champion a safe working environment; proportionately apply Health and Safety, Risk Management, Business Continuity and Safeguarding policies and procedures. Process personal data fairly and lawfully as identified within the Data Protection Act 1998.

Person Specification

Essential Criteria

- Substantial track record of operating within a leadership role at Board level, within an organisation of comparable scale and complexity
- Proven track record and significant experience of leading substantial transformational change within a heavily unionised environment. Particularly organisational, behavioural and cultural transformation, with a demonstrable ability to lead people through the transformational change journey
- Strong and demonstrable people leadership skills, with a proven ability to manage resources effectively and efficiently, providing inspiration and motivation across a diverse workforce.
- Demonstrable track record of operating strategically; providing innovation and creativity to problem solving and organisational challenges with the credibility and ability to contribute positively to policy and strategy development at a local, regional and national level
- Significant track record of effectively working with and managing diverse stakeholder relationships across a range of disciplines and at a breadth of levels.
- Positive track record of establishing sustainable working partnerships and relationships fostering collaboration and joint working
- Experience of leading a public sector or public sector related organisation/significant division/operation, and positively impacting the relationship with associate unions.

Desirable Criteria

- A strong awareness of strategic/gold level incident command.
- Possession of a thorough understanding of the political and economic context of the fire and rescue service terms of government, governance, stakeholders and the community.
- Evidence of continuous and professional development

Skills and Abilities

- Clear connection and commitment to the values of the organisation
- Proven leadership and motivational skills, especially in the context of service transformation
- Highly motivated and not easily discouraged, with resilience and tenacity.
- Ability to make clear decisions in a variety of circumstances.
- Highly effective written communication skills including drafting and interpreting strategic plans, policies and reports
- Personal and professional demeanour that commands credibility, confidence and respect.
- Able to engage effectively with a range of people and stakeholders at all levels.
- Financially astute able to manage budgets in all contexts.
- Excellent ability to deliver effective PR and media messages.
- An effective and balanced decision maker who leads by example.



- Excellent communication skills, including media management and negotiation with internal and external agencies.
- To be self-assured, confident, assertive and approachable

Timetable

Closing date	Monday 13th November
Longlisting	w/c 13 th November 2017
Preliminary interviews with GatenbySanderson	w/c 20 th November 2017
Shortlisting	w/c 27 th November 2017
Assessments	w/c 4 th December 2017
Final interviews	w/c 11 th December 2017

How to apply

To apply for this post, please provide the following:

1. A comprehensive CV setting out your career history with key responsibilities and achievements and details of your current remuneration package
2. A supporting statement of up to three sides of A4, explaining how you believe your skills and experience match the essential criteria outlined in the person specification. Please note that the supporting statement is an important part of your application
3. Details of two professional referees together with a brief statement of their capacity and over what period of time they have known you, one of whom is expected to be your current or last employer. Referees will not be contacted without your prior consent
4. A completed diversity monitoring form, which will appear when you submit your application online, for you to complete.

On finalising your application; preferably in MS Word format, please follow the process on the following website www.gatenbysanderson.com/jobs/GSe37608

Once you have submitted your application, you will receive an automated e mail to confirm that you have applied. If you do not receive this email, please make contact with GatenbySanderson directly.

If you have any queries about any aspect of the appointment process, need additional information or wish to have an informal and confidential discussion, then Michael Dobson (020 7426 3968) or Adam Davidson (020 7426 3964) will be pleased to take your call. GatenbySanderson will respect the privacy of any initial approach or expression of interest in this role, whether formal or informal.

Chief Executive/Chief Fire Officer

Circa £140,000 Witham, Essex

We are on a journey of transformational change, working to radically transform the culture in our organisation; creating an open, collaborative and professional environment for our dedicated work force to thrive and deliver the best services for the people of Essex. We are committed to making this change and creating one team; we need a focused leader to help us realise our ambitions and make this a great collaborative place to work, delivering outcomes that will make a real difference.

We are one of the largest Fire and Rescue Services in the country, providing services to an area over 1,400 miles and a population of 1.7 million, from our 51 stations spread across the county. On the 1st of October this year, we became the first Fire and Rescue Service in the country to change its governance and report in to the country's first Police, Fire and Crime Commissioner – Roger Hirst; we are leading the way in cross service collaboration and will work with Essex Police and wider partners to deliver further improvements to keep our communities safer.

We need someone at the helm with the credibility and resilience to work across our operations and drive continuous improvement; someone that can point to a track record of delivering real cultural and organisational transformational change. You will be progressive, experienced in operational delivery and engaging with unions, and bring a strong focus on people and outcomes.

Visit www.gatenbysanderson.com/job/GSe37608 for more information and to apply. For an informal, confidential discussion about the role please contact **Michael Dobson** on 020 7426 3968 or **Adam Davidson** on 020 7426 3964.

Closing date for applications: Monday 13th November 2017.

GatenbySanderson



MEDIACOM

Job no: GSe37608_EssexCFRS **Date:** 16.10.17

Client: Gatenby Sanderson

Size: 148x107 **Media:** MJ

Insertion date: 19.10.17

Account Handler: Bibbs **Operator (Set by):** Rachel

Curriculum Vitae – Joanne Turton

CAREER HISTORY

2009 – 2018 LANCASHIRE COUNTY COUNCIL

Chief Executive 2013 – 2018 (Interim Chief Executive Sept 2013 – Feb 2014)

- Recruitment, management and leadership of senior management team to deliver agreed corporate objectives
- Transformed the management culture from a silo based into a 'One Council' corporate culture
- Prioritised staff engagement and internal communications based on a revised set of values co-designed with staff and to which we are all held accountable
- Implemented a corporate communication strategy built on open and honest, face to face communication with me as the Chief Executive
- Introduced a council-wide approach to workforce planning which ensures consistency, transparency, diversity and fairness
- Reshaped the structure and size of the workforce, downsizing by 1,200 staff without a single grievance
- Introduced new ways of working which have ranged from radical transformation of Adult Services with external support to the introduction of pooled budget with health and the establishment of a volunteer based workforce for countryside services
- Conducted a root and branch review of all aspects of finance delivering an organisational wide understanding of the resource position of LCC
- Reviewed and reshaped budget options with political approval and currently on target for 98% delivery of £200m budget reduction
- Built trust, belief and hope in the vision and narrative for the future shape and role of LCC amongst staff at all levels right across the council
- Re-energised LCC's approach to partnership working across the public and private sectors in Lancashire including developing and maintaining positive working relationships with the unions

Executive Director for the Environment 2009 – 2013

- Developed and implemented a clear vision and narrative about the future of the Directorate embraced by staff and politicians
- Transformed the culture of the Directorate from a technical, inwardly focussed one to one that was flexible, customer and outwardly focussed
- Created a 'can do' attitude within the Directorate focused on the provision of infrastructure to support growth that transformed the perception of private sector partners

- Built strong personal relationships with key partners nationally and locally enabling service delivery improvements despite financial constraints
- Introduced a Directorate wide approach to workforce planning ensuring consistency, transparency, diversity and fairness and enabling the recruitment of graduates and trainees to address issues of skills gaps and succession planning
- Significantly raised the level of political awareness and improved the mechanisms for political accountability for officers across the Directorate
- Responsible for delivery of LCC's Emergency Planning Service. With a number of high risk nuclear and chemical sites within Lancashire I have taken part, as member of Gold Command, in a number of LRF exercises.

2004 – 2009 SHROPSHIRE COUNTY COUNCIL

Assistant Chief Executive and Interim Director for the Environment

- Key member of the project board that took Shropshire into unitary status
- Led the unitary project team working on integrating the regulatory services of environmental health and trading standards
- Successfully took on the additional responsibilities of Director for the Environment alongside Assistant CEx duties in 2007
- Revised the strategy and re-focussed the work programme for organisation development and staff engagement for the Council
- Completely re-designed the performance management approach for the Council
- Led the project team that successfully took the Council through its Corporate Performance Assessment

1998 – 2004 AUDIT COMMISSION

Area Performance Lead

- Audit Commission lead on Corporate Performance Assessments for number of upper tier Councils
- Lead officer for Value for Money programme delivery for upper tier councils in the North West
- Designed and implemented new studies for local government and health service.

1989 – 1998 LIVERPOOL CITY COUNCIL

Policy and Performance Manager

- Developed and implemented the Council response to the Citizen's Charter.

Information and Communication Manager

1985 – 1989 MANCHESTER CITY COUNCIL

Housing Information Officer

Information Officer

ADDITIONAL INFORMATION

Qualifications

BA: English Literature

Lancashire Common Purpose – multi agency strategic leadership development course. Participant in 2012 and a regular contributor to subsequent courses.

Personal Details

Nationality: British

Driving Licence: Full

Interests: Keeping fit – keen walker including Nordic walking, Pilates
Cinema
Reading and member of local book club
Travel

References

Carolyn Downs
Chief Executive Brent Council
Brent House, 349-357 High Street, Wembley HA9 6AT
carolyn.downs@brent.gov.uk
[Chief Executive and line manager in Shropshire]

Jennifer Mein
Lancashire County Council
County Hall, Fishergate, Preston PR1 8XJ
Jennifer.Mein@lancashire.gov.uk
[Leader Lancashire County Council 2013 – 2017]

Supporting Statement – Jo Turton

I am currently Chief Executive of Lancashire County Council [LCC] the fourth largest local authority in the country with responsibility for over 13,000 staff and an annual revenue budget of £1billion delivering frontline services to 1.3 million people. My role demands high profile, visible leadership within LCC and in partnership situations with a range of public and private sector stakeholders. Successful delivery is dependent upon my employing a mix of skills and abilities in challenging situations, a willingness to take difficult decisions and having the determination and personal tenacity to implement agreed solutions.

My time at LCC has been characterised by leading and driving transformation. My first role at LCC was as Executive Director for the Environment with responsibility for most of the high profile, politically important services that the public experience on a daily basis. As a woman, coming in to a predominantly male, professional engineering culture from a non-technical background, I understood that I would encounter resistance and be required to establish my credibility and competence. I was also clear that delivering sustainable, cultural transformation cannot be forced but has to be the result of building support by changing hearts and minds. Coming from a different background and perspective from many of the staff allowed me to view the Directorate clearly and objectively. I could see that whilst it enjoyed a proud tradition and a reasonable reputation, operational practices were inwardly focussed and technically driven with minimal consideration of corporate objectives or customer need.

Beginning with a reshaped Management Team, I developed and gained commitment to a vision that in order to survive and thrive the Directorate needed to transform quickly into one that was externally and customer focussed where service to the community was paramount. This involved: recognising that our customers were the public and the 84 county councillors who had been elected to represent their communities; adopting a default response to service requests of 'what can we do?' rather than a technically orientated 'policy says no'; and, implementing structures and processes that prioritise service provision to customers.

After a process of high level engagement to secure political agreement, the following building blocks for sustainable change were put in place: **clear vision and compelling narrative** – why the Directorate had to change, what the changes were and specifically what they would mean for staff; **hope for the future** – the Directorate would be different but there was a positive future for staff; **shared values** – embedding values of honesty, openness, fairness, respect and trust in people to design, develop and deliver the transformation.

I began my tenure as Chief Executive with a clear vision of how Lancashire County Council [LCC] needed to transform to make it future proof, sustainable and fit for purpose. I also recognised that many of the principles, approaches and processes employed within the Environment Directorate with regard to developing a shared vision, agreeing on organisational values and prioritising the customer were transferable to the corporate body. Working with the Leader, Cabinet and a restructured Management Team, I have successfully implemented that vision of LCC so we now operate corporately as 'one Council' with a commissioning, delivery and resources structure replacing the traditional service based one. We deliver joined up lifelong services that prioritise the needs of residents and customers, are rooted within the wider Lancashire public service system and underpinned by corporate values that place the people of Lancashire first. This transformation has enabled LCC to deliver against our significant challenges e.g. reduced the staff headcount by 1,200 without a single grievance and we are currently delivering 98% of a £200m savings programme.

As Chief Executive it is my responsibility to recruit, lead, develop and motivate the senior Management Team. My approach has been to appoint individuals with the expertise and experience to deliver in their specialist areas and a commitment to prioritise and contribute to corporate goals. This ensures that we behave as a cohesive team, committed and responsible for all of the Council's services, staff and budgets with an aversion to protecting or promoting individual domains. Within the senior management team, problems and issues are openly shared, options are discussed and solutions are agreed. The focus is always and entirely on the corporate good and the absence of a blame culture means that while discussion is always encouraged and frequently lively, successes and achievements are jointly savoured and enjoyed.

Throughout my career I have prioritised full, open communication and meaningful staff engagement as a critical step in securing staff support and commitment. This includes being a visible and accessible leader and I prioritise fronting staff meetings and briefings that are structured to encourage staff to fully engage and contribute with comments and questions. From my first day in the Environment Directorate at LCC I focussed on communicating and engaging with staff ensuring that when it came to consultation about transformation, the workforce was used to, and expecting, full briefings and detail. Communication was core to our way of working, not just used when there was something for me to say or negative messages to convey. This undoubtedly played a major part in transforming the Directorate from one that was resistant to change to one where staff were professionally resilient and comfortable with the change that was part of their working lives. This approach helped make the Directorate into the workplace of choice within LCC. Staff across the organisation recognised that Environment employees enjoyed high levels of corporate awareness and job satisfaction, lobbied for a similar approach within their Directorate and actively pursued jobs within the Environment Directorate.

Given the ongoing and increasingly challenging financial forecast, budget management was, and continues to be, a major priority. As a newly appointed Chief Executive, one of my first pieces of work was to radically overhaul how financial information and budgets were presented within the authority to ensure that there was more accuracy, transparency and accountability. This required moving from a formal approach to presenting financial information, with little trend or benchmarking data and few unit cost descriptions, to one that enables politicians to make informed decisions and ensures that operational managers have the information needed to manage. To further our financial understanding and accountability I also established a line by line review of all budgets within the County Council. This work was overseen by a cross party group of members and the resulting information was given to all 84 county councillors. To provide quality assurance of the budget review I commissioned PWC to conduct an independent assessment of both the process and the subsequent analysis. Their conclusion was to confirm the outputs including the key finding that the council's budget gap was not driven by cost but rather by funding. This work led directly to cross party meetings with all the local MPs to raise the profile of LCC's budget position and the methodology we developed has subsequently been used by a number of county and large councils.

The scale of the financial challenges facing public sector organisations means that salami slicing budgets cannot deliver the necessary savings in a sustainable manner. A strategic response is required and at LCC we embraced this reality. With a strong political steer on priorities set out in a new Corporate Strategy and an operating model of reducing spend to the lower quartile benchmark across all services we set out a three-year plan to save £200m. Clear prioritisation of delivery of this savings programme, additional programming resources and robust project management by myself and the management team means we are currently in the position of delivering 98% of the savings

package. This combination of strategic thinking and operational working is important as it enables the management team to be across essential details and have a real grip on key issues. It also creates a platform for developing innovative and creative approaches to service delivery including sharing resources and working with partners and third party organisations. Good leadership is both strategic in being aware of what's on the horizon and operational in moving decisively to act and bring about any necessary change. In this way of getting out in front, of being on the 'front foot' organisations are able to retain some control about what, why and how things happen and it builds confidence in the quality of leadership throughout the organisation.

Within Lancashire there are 15 councils [12 districts, 2 unitaries and 1 county], eight CCGs, five health trusts, Lancashire Police, Lancashire Fire and Rescue Service, North West Ambulance Service along with hundreds of schools and numerous criminal justice organisations. As Chief Executive of the County Council I work with and manage relationships with these stakeholders on a daily basis along with central Government and a number of local government representative organisations.

The Central Lancashire City Deal is a landmark agreement between LCC, Preston City Council, South Ribble District Council, the private sector and central Government to deliver the long term sustainable regeneration and growth of Preston and South Ribble. As Chair of the Programme Board my role has been to develop and manage good working relationships with the senior officers and politicians from partner Councils. Tangible benefits from the City Deal include total investment of £434m, the creation of 20,000 new jobs and 17,500 new homes built. A project of this size and scale will always face challenges and the City Deal is no exception. However, the robust relationships and trust that has been built up over the last three and a half years enables these challenges to be overcome and is illustrated by a collective willingness to set aside parochial considerations to secure sub-regional benefits. LCC also has an excellent track record of joint working with the Police and Fire and Rescue Services. Over the last three years these partnerships have delivered significant service improvements including: a new Road Safety Strategy with the Fire and Rescue Service taking responsibility for prevention initiatives with local schools; co-location of staff and the joining up of information systems as part of our early help work with the Police; and intelligence and resource sharing on the newly reshaped Multi Agency Safeguarding Hub to improve response times and intervention plans.

A key component of my strategy for management of the workforce is to positively and proactively engage with the range of trade unions active within LCC. This is achieved through regular engagement, open sharing and clarity as to the potential implications of issues and problems, and a willingness to discuss and co-design potential solutions. The approach takes time and effort but has been successful in securing trade union commitment and support in transforming LCC. Working with myself and my management team, over the last three years we have been able to restructure the organisation, redesign models of service delivery, redefine job roles and achieve the necessary downsizing with zero grievances and minimal compulsory redundancies.

During my time as Chief Executive and regardless of their historical militancy, LCC trade unions have recognised the commitment of myself and my management team to work collaboratively to respond to the challenges facing the organisation. This does not mean avoiding difficult conversations or decisions. On the contrary, it ensures that there is a legacy of trust and an acceptance of the rationale and logic for the decisions we have to take that enhances the likelihood of support, reduces the potential for conflict and facilitates positive industrial relations.

AGENDA ITEM 7

Essex Police, Fire and Crime Panel	EPFCP/04/18
Date: 22 January 2018	

Forward Look

Report by the Secretary to the Panel

Enquiries to: Robert Fox: 033301 34585 robert.fox@essex.gov.uk

Purpose of report and background

To plan the business of the Panel.

The next Meeting of the Panel is to be scheduled for 15 February 2018.

Business proposed to be taken to the meetings is as follows:

Date	Performance for period up to	Other business
15 February 2018		<ul style="list-style-type: none"> • Police Precept (p2 – if required) • Fire Precept (p2 – if required) • Police and Crime Plan: quarterly performance report • Fire and Rescue Service: Quarterly performance report • PFCC Decisions Report
24 May 2018		<ul style="list-style-type: none"> • Police and Crime Plan Performance Measures • Fire Service Performance Measures • Report from the February meeting of the Ethics and Integrity Sub-Committee • PFCC Decisions Report
19 July 2018		<ul style="list-style-type: none"> • Report from the May/June meeting of the Ethics and Integrity Sub-Committee • PFCC Decisions Report
17 October 2018		<ul style="list-style-type: none"> • Police and Crime Plan Performance Measures • Fire Service Performance Measures • PFCC Decisions Report • Annual report – Policing and Crime • Annual Fire and Rescue Statement
6 December 2018		<ul style="list-style-type: none"> • Budget Scene Setting

		<ul style="list-style-type: none"> • PFCC Decisions Report • Fire and Rescue Plan (draft)
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The Panel is asked to identify any other business it would like to consider.