

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

Proposed Police Precept for 2018-19

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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.
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