

Essex Police and Crime Panel	EPCP/19/16
Date: 1 December 2016	

Finance Update for the Year to Date and Scene Setting for 2017/18

Incorporating the 2016/17 budget monitoring report and scene setting for the PCC's January 2017/18 budget and precept proposal

Report by the Treasurer of the PCC to the Panel

Enquiries to:

Charles Garbett, Treasurer, 01245 291612 charles.garbett@essex.pnn.gov.uk

1. Purpose of report

1.1 This report lays out:

- i) The 2016/17 full year forecast as at October 2016.
- ii) Current and anticipated budget issues that will inform the Panel's discussions on the 2017/18 budget and precept.

2. Recommendation

2.1 The Panel is requested to:

- i) Note the financial performance of the PCC Group for the financial year 2016/17.
- ii) Consider budget issues and associated risks prior to the forthcoming proposed precept to be presented to this Panel on 26th January 2017. Views of Panel members will inform the development of the PCC Group budget strategy and precept proposal in supporting the Police and Crime Plan for Essex 2016-2020.

3. Executive Forward

The PCC has just launched his first Police and Crime Plan setting out seven policing priorities to protect Essex. This is a shared plan and its success depends upon the active involvement of the Police in concert with a wide variety of partners with mutual interest in building safe and secure communities.

Constructive critical challenge from Panel members will be invited on the PCC Group budget and precept proposal which will be presented on the 26th

January in order to enable the PCC to resource the Police and Crime Plan for Essex.

This report outlines the financial backdrop and key financial matters for members' consideration.

4. Financial Year 2016/17 to date

Revenue Account

- 4.1 The month seven forecast results shows that the 2016/17 revenue budget is forecast to breakeven. This position is summarised in Table 1 below:

Table 1: Analysis of forecast 2016/17 revenue budget at the end of October 2017

Budget Heading	Current Budget	Actuals to Date	Forecast Outturn	Variance - Over / (Under) Spend
	£000	£000	£000	£000
Employees				
- Police officer Pay and Allowances	155,811	88,635	152,974	(2,837)
- Police Staff Pay and Allowances	68,147	38,536	67,982	(165)
- PCSO Pay and Allowances	3,506	2,143	3,362	(144)
- Overtime, Pensions, Training, Expenses	14,554	7,430	15,658	1,104
Employees Total	242,018	136,745	239,976	(2,042)
Premises	11,079	5,937	11,254	175
Transport	4,792	2,626	4,292	(500)
Supplies and Services	25,992	13,775	25,980	(12)
Third Party Payments	6,408	1,373	6,493	85
Income	(24,805)	(12,726)	(24,976)	(171)
Interest and capital activity	695	(40)	883	188
Earmarked Reserves	1,411	(481)	2,377	966
In-Year Savings Shortfall	(1,311)	0	0	1,311
Net Expenditure	266,279	147,208	266,279	0
Contribution to/(from) General Reserve	0	0	0	0
Budget Requirement	266,279	147,208	266,279	0

The above Table 1 incorporates a range of budget variations that are being actively managed to ensure that available resources are applied, though budget virements to front line services.

4.2 The predominant reason for the forecast underspend on employee costs at the end of October is the greater than anticipated number police officer leavers. There were 2,935 officers at 1st April 2016 with a budgeted level of 2,823 officers at 31st March 2017. Due to the higher level of in-year leavers the lower number was achieved mid-year.

4.3 The greater than anticipated number of officers leaving has prompted an increase in the forecast recruitment of officers as follows:

January 2017: From 50 to 60 officers
 February 2017: From nil to 60 officers
 March 2017: From 50 to 60 officers

The increase of 80 officers from 100 to 180 to be recruited in the fourth quarter of 2016/17 will bring the Force back on plan and raise our projected establishment of officers by 42 to a total of 2,865 by 31st March 2017.

4.4 There are a number of budget variations within the non-staff headings of transport, supplies and services and third party payments in Table 1. These include:

Table 2: Non-staff budget variations

Budget Heading	£'000
Transport:	
- Fuel	(157)
- Vehicle hire charges	(108)
- Vehicle service & m'tce	(170)
Supplies & Services	
- Communications & technology	(388)
- Forensics	(75)
- Uniforms & laundry	(56)
Third Party Payments	
- Coroners service	(287)
Total	(1,241)

4.5 Budget virements have re-directed resources from variations in both pay and non-pay budget headings to directly support front line policing as follows:

Table 3: 2016/17 budget in-year virements

Service	£'000	Comment
Recruiting infrastructure for police officers	962	Additional staff input into Media, Vetting, HR and training.
Additional 80 police officer recruits	196	2016/17 salary costs
Police Officer overtime	380	Operation Raptor (Gangs), increase in visible policing for the night-time economy, bank holidays
	150	Increased road safety
Police staff	200	Recruitment to vacancies in

		business services and FCR
Occupation Health Advisor	75	Meet additional demand
Additional ill health retirements	600	Greater number of police officers retiring than planned
Pension adjustment	136	Reallocation of ill health payments
Additional 450 body worn cameras	113	This will bring the Force total to 1,300
Victims survey	120	Additional intelligence to support victims of crime
Equipment for safe houses	10	IT and CCTV equipment to support victims
IT/Estates Transformation programme	575	Additional contractor costs of £325k decanting disposed sites £250k
Additional forensic costs	102	Increased number of exhibits submitted £73k and pathology costs £29k
Increase POCA spending	46	Additional ANPR cameras
ECFRS – Deliver collaboration projects	290	Up to ten collaborative projects
SERP	200	Enhanced road safety and road crime operations
Operational carry forward	174	To meet essential operational requirements
Tasers	51	Additional 92 officers trained to use Tasers
Hydra training facilities	30	Facilities for Inspector training
Firearms system upgrade	50	Enhanced system
TV Unit refresh and IT upgrade to the Assembly Hall	82	Modernise communication facilities
Rural Task Force	55	Specialist equipment for tackling OCGs
Gym equipment	44	Facilitate the health and well-being of officers and staff
Specific initiatives including Digital Strategy	52	Investment in digital developments
Total	4,693	

- 4.6 The resourcing of the above high priority initiatives will be accommodated within the overall revenue budget of £266.3m.
- 4.7 The progress in allocating £5.5m of community grants during 2016/17 is outlined in the Appendix. A total of £2.4m of funding has been spent and a further £2.7m has been agreed in principle. These amounts to 92% of grant monies 'allocated' by the end October 2016.

Capital Account

- 4.8 Capital expenditure for the half-year position was £4.8m with the forecast for 2016/17 being £13.1m.

- 4.9 The PCC's opening balance of capital reserves at 1st April 2016 was £4,556k. This balance is supplemented by Government grants and capital receipts as highlighted in Table 3 below.

Table 4: Forecast 2016/17 capital spending and funding source at 31st Oct 2016

	Quarter 1 Actual £000	Quarter 2 Actual £000	Quarter 3 Forecast £000	Quarter 4 Forecast £000	TOTAL Forecast £000
Opening balance of capital reserves	4,556	2,112	206	(1,848)	4,556
Capital Grants (earmarked tbc)	(488)	0	0	0	(488)
Capital spend in year	(2,231)	(2,611)	(3,556)	(4,749)	(13,147)
Annual grant from the Home Office	275	275	275	275	1,100
Grants for specific capital projects	0	0	0	552	552
Sale of vehicles/equipment	0	16	0	0	16
Property disposals	0	402	971	5,285	6,658
Proceeds of Crime Act	0	12	101	0	113
Transfer from revenue	0	0	155	0	155
Closing balance of capital reserves	2,112	206	(1,848)	(485)	(485)

- 4.10 Subject to the timing profile of capital investment and capital receipts there may be a capital funding shortfall of £485k. Should this position materialise the option of internal borrowing of available cash balances could be considered by the PCC as a means of avoiding the revenue consequences of external borrowing which pre-empt resources that could otherwise be deployed on front line services.
- 4.11 The ability to dispose of assets that are surplus to requirements and maximising the capital receipts as early as possible is crucial in order to invest in the transformation programme. The PCC has been highly successful in spending on planning consents that change the status of surplus police property to achieve a much higher capital receipt and this is reflected in the Q4 forecast for property disposals in Table 4.

5. Scene setting for the 2017/18 Budget and Precept proposal

- 5.1 The following subjects will be considered:

- i) HMIC PEEL: Police Efficiency 2016
- ii) Capital investment
- iii) Central Government Grant
- iv) Medium term financial planning
- v) Reserves

vi) 2016/17 Precept

HMIC PEEL Police efficiency 2016

- 5.2 HMIC have recently published their latest PEEL police efficiency report following their recent inspection. HMIC rate the efficiency of the Force at keeping people safe and reducing crime as 'Good'.
- 5.3 The Force have, to their credit, achieved a 'good' rating within the context of some telling comparators highlighted by HMIC in their recent publication of 2016 value for money profiles:
- Above average number of recorded crimes
 - Below average funding from Government grant and precept per head of population
 - Lowest net revenue expenditure per head of population
 - Below average number of police officers
 - Lowest number of PCSO's
 - Average number of staff
 - Above average sickness levels and highest % of the workforce on restricted duties
 - Second lowest cost of the office of the PCC
- 5.4 The profiles also show that Essex Police has the lowest spending per head on local policing and this will be given close attention in the forthcoming budget along with other priorities within the Police and Crime Plan.

Capital Investment

- 5.5 The PCC Strategic Transformation Board and Strategic Capital Board has been overseeing the full range of work associated with transforming Essex Police through investing in modern technology, reshaping the estate and providing fleet facilities to facilitate an efficient, well equipped Force.
- 5.6 Incorporating both approved projects and capital proposals that are not yet approved by the PCC the latest projections of capital expenditure as follows:

Table 5: 5 Year Capital Investment Plan

Service	Forecast Capital Expenditure £'000					
	2016/17	2017/18	2018/19	2019/20	2020/21	Total
ANPR	857	114	107	109	110	1,297
Estates	7,811	10,725	19,988	21,486	12,503	72,513
IT	4,111	10,656	1,583	1,820	889	19,059
Transport	2,200	1,900	2,000	2,000	2,000	10,100
Other	1,030	176	193	193	193	1,785
TOTAL	16,009	23,571	23,871	25,608	15,695	104,754

- 5.7 Capital plans have been under close scrutiny and continue to be until specific business cases are approved by the PCC. The development of the Local Business Case for police and fire collaboration has opened up an number of further potential opportunities for sharing services that require capital investment.
- 5.8 As highlighted in table 4 in paragraph 4.10 the lack of capital reserves means that unless additional capital receipts can be generated at an earlier stage a future substantial investment programme will require borrowing as a funding source. Attention is therefore being given to optimising the timing and amount of capital receipts.
- 5.9 The Strategic Transformation Board and Strategic Capital Boards are shaping the capital investment and disposals programme. These initiatives will present themselves through the capital programme which forms part of the 2017/18 budget and precept proposal.

Central Government 'Formula' Grant

- 5.10 There are two main sources of income for Essex Police - The Government grant and the council tax (precept). Together these need to support the £266.3m net expenditure required by Essex Police in 2016/17.
- 5.11 Table 6 below sets out movement in both central government grant and precept income since the start of the first Comprehensive Spending Review in 2011/12, using 2010/11 as a base year. This shows that Government 'formula' grant has reduced by £24.2m from £182.9m in 2010/11 to £158.7m in 2016/17. However, along the way there have been some significant changes as highlighted in the notes below the table. Adjusting the 2016/17 grant level to enable a like-for-like comparison between 2010/11 and 2016/17 results in a government grant reduction of approximately £30m (16%) over the six year period.

Table 6: 'Formula' Government Core Grant

Government Grant	2010/11 £'m	2011/12 £'m	2012/13 £'m	2013/14 £'m	2014/15 £'m	2015/16 £'m	2016/17 £'m
Police Grant Note 1, 2 & 3	111.6	117.6	109.5	114.4	110.1	103.3	102.8
Revenue Support Grant	9.0	15.1	1.2				
DCLG Grant	62.3	50.1	62.4	60.9	58.1	56.3	55.9
Total	182.9	182.8	173.1	175.3	168.2	159.6	158.7

NOTES:

1. Neighbourhood police grant amounting to £7.2m was subsumed into Police Grant in 2013/14. Prior to 2013/14 this grant was a specific grant that offset service expenditure.
2. The Council Tax Freeze Grant was not available prior to 2011/12 and included in revenue support grant during 2012/13.
3. Community Safety Grant of £1.2m was channelled through to PCCs starting in 2013/14 and thereafter included in Police Grant to provide funds for the PCCs allocation of grants.

- 5.12 The Government in conjunction with the sector and professional guidance has commenced a fresh review of the grant distribution formula and taking advantages of the lessons learnt from the flawed process of last year is determined to press ahead and reform the way police forces in England and Wales are funded by Government. The outline plan is for the Government to determine whether sufficient progress has been made on the new formula by next Spring. If so, formal consultation on the formula will follow with a view to introducing a new formula in 2018/19.
- 5.13 The PCC is closely engaged with the review of the grant distribution formula through the Association of Police and Crime Commissioners (APCC).
- 5.14 Following the Government's Autumn Statement announcement on 23rd November, we are awaiting specific government grant allocations for all forces which are expected to be announced by the 14th December.

Medium term financial strategy (MTFS)

- 5.15 The forecast position of the PCC over the next five year period 2017/18 to 2021/22 is under construction which is taking into account:
- i) Police officer/PCSO/Staff pay awards
 - ii) Unavoidable non pay inflation
 - iii) One-off costs no longer funded from reserves
 - iv) The Apprenticeship Levy
 - v) Revenue consequences of the capital programme
 - vi) Government grant levels
- 5.16 Whilst the level of Government Grant for 2017/18 will be provisionally known before Christmas a multi-year allocation for policing is not expected. This is due to the review of the grant distribution formula. Until the outcome of the formula review is known a multi year grant allocation would not make much sense.
- 5.17 An updated MTFS will be incorporated into the January budget/precept report.

Reserves

- 5.18 The General Reserve forecast position for 31st March 2017 is **£13m** (5% of net revenue expenditure). The PCC revenue reserves are amongst the lowest of all shire forces.
- 5.19 PCC capital reserves are estimated to be depleted by 31st March 2017 with intense efforts being made to optimise the capital receipts available for essential investment.
- 5.20 The low level of reserves demands tight in-year budgetary control but there remains the risk that unplanned significant operations, such as murders, will

disrupt service plans and delivery. The level of reserves will be reviewed in detail as part of the budget report presented to this Panel in January.

Precept level

- 5.21 The other key assumption is the level of precept. Out of 35 English and Welsh Shire Forces for 2016/17, Essex has the **third lowest precept at £152.10** for a Band D property. Only Hertfordshire and Sussex has a lower precept.
- 5.22 The additional income produced by a 1% precept rise amounts to at least £925k (an updated tax base is due in December).
- 5.23 The average precept for all forces is £178.40 for a Band D property. If Essex had a precept level equal to the average this would have generated an additional £15.7m in the current financial year, equivalent to approximately 300 police officers.
- 5.24 The Government has given an indication of the level of precept that they deem to be excessive before a referendum is required ('capping level'). For Essex, whose precept is in the lowest quartile for all PCC precepts this would be a maximum of £5 per annum.
- 5.25 It is expected that the Government will confirm this limit and announce this at an early stage, perhaps alongside the Provisional Grant Settlement by 14th December.
- 5.26 A precept increase of £5 a year for a Band D property would yield approximately £3m in additional council tax receipts for 2017/18 and each subsequent year.

6. Managing Risk

- 6.1 The pressure placed on the Force to deliver within available resources are very challenging. The following risks can be highlighted:
 - i) The risks associated with addressing increasing levels of crime with an insufficient complement of front line officers required to address this demand, particularly with significant unplanned demands
 - ii) The risks associated with failing to invest in officer and staff training, development, career incentives and motivation that an efficient force demands
 - iii) The risks associated with failing to invest in programmes that provide a justifiable return in service improvement and/or savings to enable a sustainable approach to force service delivery.
- 6.2 The future exchange and engagement between this Panel and the PCC/Chief Constable's Joint Audit Committee, is welcomed as a means by which both the successes and risks associated with service delivery can be effectively shared.

Community Safety Fund

- 1.1 The Community Safety Fund of £2.327m has been allocated in 2016/17 to support community safety priorities.
- 1.2 To date £2.202m has been allocated by the PCC largely to CSP's, drug and alcohol teams and the youth offending service. This represents a commitment by the PCC to continue to support these local organisations despite increasing financial pressures. 91.8% of community safety funding has been allocated.
- 1.3 As part of the Community Safety Fund the PCC continues his support for the Public Service Reform Unit (formerly Whole Essex Community Budget). The programmes for reducing re-offending, strengthening communities, domestic abuse (including the multi-agency safeguarding hub) are expected to make a strong and measurable contribution to the delivery of the Police & Crime Plan.
- 1.4 The PCC has continued to make statutory funding contributions, previously met from the Force budget, to organisations such as Youth Offending Services and Safeguarding Boards. These standalone budgets have now been incorporated into the Community Safety Fund. The PCC continues to monitor the services being provided in exchange for the contributions being made in order to ensure value for money.

Community Safety Development Fund

- 1.5 Community Safety Development Fund (CSDF) has a budget of £419k for 2016/17; this includes a £119k carry forward from 2015/16.
- 1.6 The CSDF continues to attract a large number of bids from a wide range of organisations for projects that are aimed at addressing all of the areas of focus within the Police & Crime Plan.
- 1.7 The CSP's and the wider Essex partnership have played a key role in the decision making process. This is highly valued and something that the PCC views as critical to the success of the CSDF.
- 1.8 For 2016/17 applications are reviewed at an independent panel meeting including representatives from OPCC, Essex Police, Community Safety Partnerships, Essex County Fire and Rescue Service, Essex Community Foundation and the Association of Essex Councils for Voluntary Service.
- 1.9 The CSDF has a budget of £419k and to date £194k had been allocated to successful bidders, these include Princes Trust, Lads Need Dads, Essex Boys and Girls Club and Sanctus. This amounts to 46% of grant monies allocated to date. The average grant amount to date is £10k.

- 1.10 On the 18th November the Independent Panel indicatively approved a further £100k from the CSDF pending approval by the PCC.

Victims' Services

- 1.11 The Ministry of Justice provided the OPCC with a total 2016/17 allocation for the commissioning of victims' services of £2.743m. This grant includes provision for Restorative Justice and for services to victims' of sexual violence and domestic violence.
- 1.12 These grant monies are intended to be spent within the financial year 2016/17 to enable the PCC to:
- i) Provide emotional and practical support services for victims of including restorative justice services and practical support measures and particularly for victims in the priority categories outlined in the Victims' Code: victims of the most serious crime, persistently targeted victims, and vulnerable or intimidated victims, to help them cope with the immediate impacts of crime and, as far as possible, recover from the harm they have experienced;
 - ii) Provide emotional and practical support services for family members;
 - iii) Provide emotional and practical support services for victims of sexual violence and domestic violence;
 - iv) Build the capacity and capability of providers of services for victims of crime (including providers of restorative justice services) from the Voluntary Community and Social Enterprise (VCSE) sector; and
 - v) Cover any associated costs that arise in the process of commissioning/provision of victims' services.
- 1.13 During the year the PCC has increased the budget by £250k by transferring monies from the CSF. This allows the PCC to extend services to victims of ASB, which are not covered under the Ministry of Justice definition of crime. To date £2.658m had been allocated; this amounts to 97% of grant monies allocated.
- 1.14 Around £1m of funding has been allocated to support victims of Domestic Abuse and £740k has been given to the Essex Rape Crisis Partnership to support victims of sexual abuse. Victim Support receives £650k to deliver a referral and assessment service for all victims of crime in Essex.
- 1.15 In addition, the OPCC delivers an in-house restorative justice service which this year achieve the Restorative Service Quality Mark (RSQM) which demonstrates that the service is of good quality and operates in a safe and effective manner.

Community Safety Fund		
2016/17 Budget	£	2,327,000
2015/16 Overspend	£	30,000
Income Expected	£	104,000
Available Budget	£	2,401,000
Initiative	Agreed in Principle	Payments Made
Basildon	£29,374	£-
Braintree	£20,158	£20,158
Brentwood	£16,030	£-
Castle Point	£17,261	£17,261
Chelmsford	£21,808	£-
Colchester	£25,581	£-
Epping Forest	£21,896	£10,948
Harlow	£27,684	£-
Maldon	£14,235	£-
Rochford	£14,019	£7,010
Southend-on-Sea	£36,214	£-
Tendring	£28,516	£-
Thurrock	£35,799	£-
Uttlesford	£13,288	£6,644
Essex DAAT	£399,785	£-
Southend DAAT	£54,296	£54,296
Thurrock DAAT	£48,907	£-
Essex YOS	£253,233	£-
Southend YOS	£18,586	£9,293
Thurrock YOS	£18,930	£-
Southend YOS (Statutory)	£90,669	£45,335
Thurrock YOS (Statutory)	£62,417	£-
Neighbourhood Watch	£10,500	£10,500
Essex CSB	£66,426	£66,426
Southend SCB	£14,335	£14,335
Thurrock CSB	£15,000	£-
Essex LASB	£58,564	£58,564
Southend LASB	£22,711	£22,711
Thurrock LASB Additional Grant	£10,844	£10,844
Thurrock LASB	£7,906	£7,906
Crimestoppers	£42,525	£31,894
Crimestoppers Regional Manager	£5,000	£5,000
DA Perpetrator review	£1,540	£1,540
Tendring Exceptional DHR	£6,250	£6,250
Essex Police Memorial Trust	£500	£-
Night Time Economy Conference	£1,000	£-
Essex Compact (AGM costs)	£477	£-
ICS - violence & vulnerability framework	£18,000	£-
Safer Places MARAT IDVA	£9,200	£-
Essex Women's Leadership & Development	£800	£-
P&CP Schools Competition	£900	£-

Essex NhW Conference	£500	£500
Show Racism the Red Card	£30,400	£-
Modern Slavery House Pilot (EP Virement)	£9,367	£-
Gangs activity	£100,000	£-
Safelives DRIVE	£134,000	£134,000
Safelives DRIVE (income above from ECC)	£34,000	£-
Safelives DRIVE 17/18 contribution	£60,000	£-
Children Society CARE Project	£23,468	£-
Gaynor Mears (Domestic Homicide Review Planning)	£30	£30
Allocation to Victims Fund	£250,000	
Total	£2,202,928	£541,444
Unallocated Budget	£	198,072
Community Safety Development Fund		
2016/17 Budget	£	300,000
2015/16 Underspend	£	119,000
Available Budget	£	419,000
Initiative	Agreed in Principle	Payments Made
Integrated Offender Management - Southend Council	£450	£450
Shine - Skylark Church	£9,210	£9,210
Just Enough UK	£3,100	£-
Barnado's CAPI	£17,695	£17,695
Essex Police - Watch Dog (Conlan)	£1,138	£-
Essex Police - Amnesty Bin	£2,500	£-
Colchester Football in the Community	£15,000	£15,000
African Families in the UK	£23,650	£-
Clacton County High School	£1,800	£-
Essex Police - Cyber Crime	£1,475	£-
Prince's Trust Positive Steps	£30,000	£-
Essex County Fire & Rescue Service - Firebreak	£12,000	£-
Frontier Youth Trust - Out4Good	£20,000	£20,000
Essex Girls and Boys Club	£25,000	£12,500
Purple Place Triage	£11,000	£-
Great Baddow Community Engagement Day	£3,000	£3,000
Essex Community Messaging	£7,350	£-
Lads Need Dads	£9,710	£-
Total	£194,078	£77,855
Unallocated Budget	£	224,923
Victims' Fund		
2016/17 Budget	£	2,231,000
CSF Transfer	£	250,000
Expected Income	£	234,000
Available Budget	£	2,715,000
Initiative	Agreed in Principle	Payments Made
Referral & Assessment - Victim Support	£655,000.00	£491,400.75

Victim Support Q4 payment	£20,000.00	£20,000.00
Administration Cost	£100,000.00	£55,661.00
IDVAs	£700,000.00	£515,085.00
JDATT / MARAC	£108,000.00	
JDATT IT System	£25,000.00	
DA Partnership resources	£115,183.00	£115,183.00
Community-based services (SERRIC)	£440,000.00	£330,000.00
ISVA (SERRIC)	£240,000.00	£180,000.00
Sexual Abuse Referral Service (SARS)	£160,800.00	
Essex Rape Crisis Partnership	£60,000.00	£60,000.00
Commissioning Support	£30,000.00	£20,000.00
Victims Gateway Hosting Cost	£771.00	£578.25
Anti slavery worker additional costs	£3,500.00	
Total	£2,658,254	£1,787,908
Unallocated Budget	£	56,746