

## APPENDIX D

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Roger Hirst  
Police, Fire and Crime Commissioner  
OPFCC  
Kelvedon Park  
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CM8 3HB

11 January 2018

Dear Commissioner,

I wrote to you on 18<sup>th</sup> 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)<sup>1</sup>; 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).

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

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**Table A: Maximum additional funding available 2018/19**

<b>Funding source</b>	<b>Funding 2018/19 (£m)</b>	<b>Increase/decrease (£m)*</b>
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
<b>Total</b>	<b>277.429</b>	<b>+10.001</b>

\*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**

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

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)<sup>2</sup>, 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.

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<sup>2</sup> 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.<sup>3</sup> 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.

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<sup>3</sup> 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**

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

## **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**