

Report title: Proposed Police Precept for 2019/20	
Report to: Essex Police, Fire and Crime Panel	
Report author: Roger Hirst - Police, Fire and Crime Commissioner for Essex	
Date: 6 February 2020	For: Approval
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County Divisions affected: All Essex	

1. Purpose of Report

- 1.1 To present the PFCC's proposed police precept for 2020/21.
- 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 All crime has risen across the country with forces nationally facing the significant challenge of increased violence. The Chief Constable is committed to tackling violence and vulnerability, supporting victims and being a more visible presence to support the priorities in the Police and Crime Plan.
- 1.4 The PFCC completed a public survey on the precept following the 2019 General Election which ran from the 13th December to 12th January 2020. The headlines from the survey were:
 - 2,173 people responded to the survey
 - 66% said they would be willing to support an increase
 - More than 60% indicated they would be willing to pay an extra £20 per year to invest in policing

2. Recommendation

- 2.1 The PFCC proposes a precept increase of 2.94%, equivalent to an increase of £5.67 a year from £192.96 to £198.63 for a Band D property, raising £3.7m of additional council tax receipts which increases to £5.3m following the council tax base increase.
- 2.2 The Police, Fire and Crime Panel is invited to review and report back to the PFCC on his proposed precept.

3. PFCC Precept Proposal

- 3.1 The publication of the Police Finance Settlement was delayed due to the December 2019 General Election, following this the Government decided not to issue a provisional settlement or consultation in December. The Home Office does not have to legally consult on their funding settlement.
- 3.2 On the 22nd January 2020 the Government issued the Police Grant Report 2020/21. In broad terms the Government will:
- Provide PCCs with £10 precept flexibility without triggering a referendum. This has the potential to raise an additional £248m nationally, if the all PCCs decide to maximise their flexibility
 - Provide £700m for the recruitment of 6,000 additional officers nationally by March 2021, with a further £50m being retained centrally by the Home Office to support recruitment costs
- 3.3 Prior to this announcement the PFCC held two Budget Setting Workshops with members of this Panel to discuss the current financial position, working assumptions and expectations ahead of the Government announcement. The PFCC would like to extend his thanks to those members involved and that their contributions were valuable to the 2020/21 budget setting process.
- 3.4 In light of the additional Government funding announced by the Minister for Policing and Crime in the Police Finance Settlement and following two years of significant above inflation precept increases (2018/19 – 7.62%, 2019/20 – 14.16%); the PFCC is seeking an inflationary precept increase at 2.94%. The PFCC will therefore not be maximising the precept flexibility available in 2020/21. The position for Essex is set out in Table A.

Table A: Government Grant 2020/21 compared with 2019/20

Funding	2019/20 £m	2020/21 £m	Difference £m	% Change
Home Office Core Grant	103.551	115.509	11.958	11.5
Home Office Formula Grant (Ex-DCLG Grant)	56.231	56.231	Nil	Nil
Home Office Grant for 20,000 Officer Grant	Nil	3.777	3.777	Nil
Council Tax Freeze Grant	2.133	2.133	Nil	Nil
Council Tax Support Grant	10.992	10.992	<u>Nil</u>	Nil
Council Tax Precept:	123.134	128.392	5.258	4.3%
Collection Fund Surplus	1.545	1.458	-0.087	-5.63%
Total Funding	297.586	318.492	20.906	7%

3.5 The Council Tax precept income shown in the above table consists of two changes from 2019/20 to 2020/21 totalling £5.258m:

- i) An increase in the precept Band D of £5.67 from £192.96 in 2019/20 to £198.63 in 2020/21; an increase of 2.94% and increasing council tax receipts by £3.7m.
- ii) A year on year increase in the tax base from 638,134 to 646,387 for Band D equivalent properties; an increase of 8,253 properties and increasing council tax receipts by £1.6m.

3.6 Looking ahead it is anticipated that future police funding will be addressed through the Spending Review 2020, however detailed timeframes are still to be set.

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

4.1 Presenting the 2020/21 Budget provides a timely opportunity to set out the resources required to meet the seven strategic priorities and aims set out in the Police and Crime Plan for keeping Essex safe. The 2020/21 budget has been developed working alongside the Chief Constable and his Chief Officer Management Team as well as the Police, Fire and Crime Panel budget sub group.

4.2 The 2020/21 budget requirement is £318.492m and an analysis of the budget is contained within the following appendices:

Appendix A: Letter from the Chief Constable requesting a precept increase of 2.94% including 2020/21 budget summary and Police Officer Growth Plan 2020/21

Appendix B: 2020/21 Budget Summary

4.3 The financial position for the PFCC for 2019/20 currently shows a forecast overspend of £0.3m. This overspend relates to the investigation in Thurrock regarding the deaths of 39 people in a lorry container, a Special Grant application has been submitted by the PFCC. Should this application be approved then the forecast outturn will become a £1.9m underspend and the impact of this outturn on reserves is discussed later in the report.

4.4 The 2020/21 budget of £318.492m proposes an increase in spend of £20.902m, compared to 2019/20 budget of £297.586m. This additional spend includes £14.228m to fund new investment and service demand in Essex Police, £5.193m on one off investments. A summary of the movement is shown in Table B.

Table B: Summary of 2020/21 Budget Movements

Budget Movement in 2020/21	£m
Opening budget	297.586
Recurring activity prior to 1 st April 2020	(0.479)
2019/20 Base Budget 1st April 2019	297.107
Inflation and cost pressures	9.664
New investment and service demands	14.228
One off investment	5.193
One off activity	(0.100)
Funding for one off activity	(2.866)
Budget Requirement Before Savings	323.226
Savings	(4.734)
2020/21 Budget Requirement	318.492

4.5 Essex Police propose to invest £14.228m in 2020/21 a summary of the new investment and service demand spend is broken down in Table C.

Table C: Areas of Investment Summary

Areas of Investment	£m
Increase in establishment (151 officers and 44.8 police staff)	6.523
Full year impact of increase in establishment 2019/20 (215 officers and 50 staff)	3.950
Service demand changes	1.111
Revenue consequences of capital programme	0.784
Investment in Force Control Room	0.621
Media and Communications Strategy	0.332
Taser Training	0.278
IT Investment	0.277
Borrowing Requirement Interest Charges	0.149
Other Local Initiatives	0.150
Other Budget Adjustments	0.053
Total	14.228

4.6 The investments detailed in Table C and referred to in Table B are focused on some important areas across the organisation, including recruitment, technology, Estates Strategy, Force Control Room and preparedness for changing regulations.

Recruitment and workforce

4.7 As part of the 2020/21 Police Grant the Government have provided £750m to support the recruitment of 20,000 additional Police Officers. Of this £50m will be retained centrally to support the recruitment of officers. Of the remaining £700m grant £168m will be ring fenced to support the individual force recruitment targets for 2020/21.

4.8 The Government have also stated that this money should be used to make the relevant infrastructure improvements required by forces to enable them to recruit the additional 20,000 officers. The Panel should also note that this money will be released to Essex Police quarterly in arrears subject to evidence on force progress.

4.9 Essex will recruit an additional 151 police officers in 2020/21. Of these officers 135 will be funded through the Government's Police Uplift Programme and a further 16 officers will be recruited as a result of continued efficiency savings made by Essex Police. These officers will provide operational policing capabilities and infrastructure support. Further to this 44.8 FTE police staff roles will be recruited to assist the wider business needs associated with the increased workforce.

4.10 High level details of where the additional officers will be posted are shown in the table D below with further context provided in the Chief Constables letter to the PFCC (Appendix A).

4.11 At the end of March 2021 Essex Police plan to have an officer establishment of 3,369, this is another increase in officer recruitment following on from the 368 additional officers recruited over the last two years. This will mean that Essex Police will have grown by 519 police officers since 2017/18.

4.12 This is a highly ambitious recruitment programme, however work has been taking place over the last two years to increase recruitment in the county. Essex Police are therefore in a strong position to deliver against the Government's Police Uplift Programme. A police officer growth plan for 2020/21 has been included within the Chief Constables letter to the PFCC, however it should be noted that these dates and timing are subject to change based on operational requirements.

Table D: Investment in Additional Officers and Staff

4.13

Investment in additional Police Officers and Staff	Officers	Staff
High Harm and Investigations	54.5	
Custody Command	12.0	
Specialist Policing – Traffic Collision Investigation	3.0	2.0
Specialist Policing – Firearms	9.0	1.0
Managing Sexual, Violent Offenders and On-line Investigations	11.0	
Serious Crime – Major Crime Team	7.0	
Local Policing Areas – Briefing and Tasking	6.0	
Learning and Development – recruitment and Training	15.5	
Financial Investigations and Cyber – Detective Inspector	1.0	
Serious Crime – Dedicated Source Unit - Inspector	1.0	
Data Quality Improvement	2.0	
Professional Standards – Police Integrity Reforms	4.0	5.0
Serious Crime – Intelligence Support	3.0	
Resource Management Unit		5.0
Dangerous Dog Manager		1.0
Gangs and County Line Capabilities		2.0
Total – Operational Policing	135.0	16.0
Total – Infrastructure Support	11.0	44.8
Total – Reinvested from shift pattern change	5.0	
Total	151.0	60.8

Technology and Force Control Room

4.14 Investment will continue in Essex Police IT infrastructure with £0.277m being invested IT to support the organisations needs and ensure that staff and officers have the correct equipment to perform their roles. This in addition to the capital programme and includes investment in Athena technical refresh.

4.15 The Force Control Room (FCR) has experienced a year on year increase in 999 calls, in order to improve call handling capacity it is proposed to increase the number for call handlers by 6FTEs per shift per day. This will assist with the increased demand.

4.16 FCR will look to reduce from ten channel to seven channels. It also proposed to increase FCR staff by 10.7FTE to improve the back-up capability within the control room whilst this change is made.

Media and Communications

- 4.17 Following the recruitment of a new Head of Corporate Communications it is proposed to develop the first Media and Communications Strategy since the inception of the media function in 1994. Essex Police will invest £0.331m in development of the strategy and team to communicate and engage with the public of Essex.

Service Demand Changes

- 4.18 Essential investment is required in a range of areas to support increased service provision, in 2020/21, a total of £1.111m will be invested.
- 4.19 Part of the PFCCs Estate Strategy is the redevelopment of the Chelmsford HQ site, this is a significant project and the Estates Team will be restructured to form a sustainable team capable of delivering the change over the next five years. The Estates team have been vital to delivering the PFCCs Estates Strategy and realising high levels of capital receipts which have helped to fund the capital programme and reduce borrowing levels to date.
- 4.20 There has been a year on year increase in the number of people arrested by Essex Police on suspicion of drug driving in Essex, this in turn increases the volume of toxicology submissions. To support the ongoing strategy, £0.318m will be spent on the associated forensic toxicology costs. This investment supports the priorities in the Police and Crime Plan in particular, to improve safety on our roads.
- 4.21 The number of trained Taser officers in Essex has increased and it is essential that their training is up to date, therefore Essex will invest £0.093m in ensuring that these officers have the appropriate refresher training and certifications.

5 Savings and Efficiency

- 5.1 Essex Police have achieved significant savings in recent financial years and continue to do so. The 2020/21 budget requires Essex Police to make cashable savings of £4.734m. The proposal also includes £1.002m of one off cashable savings and £2.220m non-cashable savings. The target set by the PFCC in the MTFS was £6.775, this has been achieved through a combination of cashable and non-cashable savings and results in a surplus of £1.278m.
- 5.2 The Strategic Change Efficiency Saving Plan for 2020/21 has identified the following savings to meet this requirement as detailed in Table E.

Table E: Strategic Change Efficiencies and Savings Plan 2020/21

Saving	Cashable £m	Non-Cashable £m
Estate Disposals revenue (gross)	(0.161)	
Force wide Non-Pay	(0.212)	
Police Officer Overtime - Flex/Shift pattern	(0.500)	
Vacancy Factor increase from 7% to 9% (in year)	(1.303)	
Police Officer & Staff Overtime - Bank Holiday	(0.128)	
Additional Rents - Temporary Storage - Estates	(0.055)	
Coroner Service Funding Agreement	(0.034)	
Specials lower running costs	(0.053)	
Additional Force Wide Non-Pay	(0.223)	
Income Generation	(0.135)	
FSEL – Non pay	(0.010)	
Custody Review	(0.159)	
Criminal Justice Command	(0.049)	
OPC	(0.149)	
Contact Management	(0.135)	
Strategic Change Directorate	(0.105)	
LPA's	(0.094)	
Legal	(0.016)	
Support Services Directorate Total	(1.910)	
SCD	(0.402)	
Flex Pattern		(0.998)
BWV		(1.122)
Vital Signs		(0.040)
Single Online Home		(0.060)
Total	(5.833)	(2.220)
Cashable and Non-Cashable Total		(8.053)

5.3 Delivery of the savings plan will be monitored regularly throughout the year by the PFCC via internal reporting mechanisms.

6 Reserves

6.1 The forecast general reserve position for Essex at 31st March 2020 is £10.6m, or 3.6% of net revenue expenditure and earmarked reserves of £6.0m to give total of usable reserves of £16.6m. The PFCC is also forecasting to utilise in full all capital receipts received to the 31st March 2020 in order to fund the ongoing capital programme.

6.2 The majority of PCCs report a policy of holding minimum general reserves at 3% of net revenue expenditure or less. The current forecast outturn for Essex Police is dependent on the outcome of a Special Grant request submitted by the PFCC to the Government for consideration. This request was in relation to investigation in Thurrock regarding the deaths of 39 people in a lorry container. Should this grant

request be approved the forecast outturn would reflect a £1.7m underspend, this money would be transferred to the General Reserve. Therefore increasing the General Reserve to £10.6m at 31st March 2020 and 3.6% of net revenue expenditure.

- 6.3 We would ask the Panel to note the current uncertainty at this time whilst we await confirmation from government regarding this grant. If the PFCC Special Grant application is not approved the forecast outturn would reflect a £0.3m overspend. No funds would be returned to the General Reserve and a draw down from reserve would be required. This position continues to be monitored closely whilst we await confirmation.
- 6.4 The forecast general reserve position at 31st March 2021 is £10.6m, based on approval of Special Grant. It is planned to maintain this level of general reserve over the medium term. This is the minimum level of general reserve which Essex Police will aim to hold against unforeseen risks, therefore strict financial controls must be maintained.
- 6.5 At the start of 2020/21 the forecast level of earmarked revenue reserves is £6.0m. There are plans in preparation to fully utilise these reserves over the medium term period of the MTF5. A summary of the reserves held is detailed below in Table F:

Table F: Level of Earmarked and Capital Reserves

Reserve	£m at 1 st April 2020	Use as per Home Office Categories
Leased property dilapidations	0.7	General contingency or resource to meet other needs
POCA	2.2	General contingency or resource to meet other needs
Forfeiture monies	0.1	General contingency or resource to meet other needs
Restructuring	0.3	Planned expenditure on projects and programmes over next three years
Transformation	0.4	Planned expenditure on projects and programmes over next three years
Major operations	1.5	General contingency or resource to meet other needs
Operational Transformation	0.5	Funding for specific projects and programmes beyond 2020/21
Police Education Qualification Framework	0.2	Planned expenditure on projects and programmes over next three years
Specials	0.1	Planned expenditure on projects and programmes over next three years
Total Earmarked Reserve	6.0	
Capital Reserve	Nil	

7 Capital Investment Programme

- 7.1 The Capital Programme for the five year period 2020/21 to 2024/25 shows estimated capital expenditure amounting to £23m for 2020/21. A summary of planned expenditure and funding sources is shown in Table G.
- 7.2 Capital projects approved in earlier years have a forecast spend of £13.716m for 2020/21. This includes Estates Business As Usual projects which total £3.186m, which includes the ongoing capitalised maintenance programme. The Estates Strategy spend is forecast at £7.165m this is primarily for the refurbishment of Chelmsford Police Station at £4.768m and the purchase of additional land.
- 7.3 Capital projects subject to approval are £9.232m and this primarily relates to IT and Estates. Significant project work streams during 2020/21 are IT totalling £4.535m with investment of £2.295m for the continuation of the Infrastructure Technical Refresh, this is the programme to replace devices, servers and network upgrades across the force which is essential to ensure that the IT system remains fit for purpose.
- 7.4 The estates programme is split into two; business as usual requires £1m and the Estates Strategy requires £2.860m. All of the projects subject to approval require a stage 2 business case to be presented to the PFCC in order to move to approved status.
- 7.5 The closing funds balance indicates that the PFCC will enter into a borrowing position from 2020/21 onwards in order to fund future capital investment. A significant amount of work has taken place over recent years to dispose of underutilised estate and reinvest the capital receipts into Essex Police. Consideration has been given to interest charges linked to borrowing in the 2020/21 budget setting process.
- 7.6 Options continue to be explored through the Estates Strategy and Treasury Management Strategy however it is possible that the PFCC may enter into a borrowing position by the end of 2019/20.
- 7.7 The total forecast capital expenditure over the period 2020/21 to 2024/25 is £91.735m, this includes forecast expenditure on IT Service of £23.565m, £10.086m on Transport and £45.781m on Estates Strategy. Capital spend to date from 2016/17 including the current 2019/20 forecast totals £41.676m.

Table G: Capital Investment Programme 2020/21 to 2024/15	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Totals
	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening balance	4,556	(406)	653	7,324	565	(13,222)	(29,814)	(24,240)	(42,145)	4,556
Estimated resources to be generated in year -										
Home Office - Capital Grant	1,102	935	935	956	300	300	300	300	300	5,428
Estates Capital Receipts v43.0 (end of November 2019)	2,857	7,080	12,148	6,213	7,109	3,690	25,125	-	-	64,222
Contributions and Reserves	860	379	765	153	47	-	-	-	-	2,204
Increased Revenue Contributions	726	97	1,000	1,478	1,705	1,000	1,000	1,000	1,000	9,006
TOTAL FORECAST CAPITAL RESOURCES	5,545	8,491	14,848	8,800	9,161	4,990	26,425	1,300	1,300	80,860
Less: Estimated capital payments in year -										
Approved Projects (as presented to the 19/12/19 Strategic Board) -										
IT Services	2,365	3,323	4,081	5,558	871	-	-	-	-	16,198
Transport	1,599	1,818	2,179	2,640	2,056	2,000	-	-	-	12,292
Estates Business as Usual	5,144	1,415	749	2,344	3,186	402	350	-	-	13,590
Estates Strategy	-	343	342	2,148	7,165	109	-	-	-	10,107
Other Services	1,399	533	827	1,139	438	339	28	6	-	4,709
Approved Projects - Total	10,507	7,432	8,178	13,829	13,716	2,850	378	6	-	56,896
Approved Total	10,507	7,432	8,178	13,829	13,716	2,850	378	6	-	56,896
FUNDS BALANCE surplus / (shortfall) - APPROVED PROJECTS	(406)	653	7,324	2,295	(3,990)	(11,082)	(3,767)	(22,946)	(40,845)	
Subject to Approval -										
IT Services	-	-	-	50	4,535	5,337	4,968	4,201	3,653	22,744
Transport	-	-	-	180	-	-	2,030	2,000	2,000	6,210
Estates Business as Usual	-	-	-	-	1,000	1,000	1,000	1,000	1,000	5,000
Estates Strategy	-	-	-	1,500	2,860	12,150	12,000	11,500	-	40,010
Other Services	-	-	-	-	837	245	475	498	496	2,551
Subject to Approval - Total	-	-	-	1,730	9,232	18,732	20,473	19,199	7,149	76,515
Total per department -										
IT Services	2,365	3,323	4,081	5,608	5,406	5,337	4,968	4,201	3,653	38,942
Transport	1,599	1,818	2,179	2,820	2,056	2,000	2,030	2,000	2,000	18,502
Estates Business as Usual	5,144	1,415	749	2,344	4,186	1,402	1,350	1,000	1,000	18,590
Estates Strategy	-	343	342	3,648	10,025	12,259	12,000	11,500	-	50,117
Other Services	1,399	533	827	1,139	1,275	584	503	504	496	7,260
Total per department - Total	10,507	7,432	8,178	15,559	22,948	21,582	20,851	19,205	7,149	133,411
TOTAL FORECAST CAPITAL EXPENDITURE	10,507	7,432	8,178	15,559	22,948	21,582	20,851	19,205	7,149	133,411
CLOSING FUNDS BALANCE surplus / (shortfall) - ALL PROJECTS	(406)	653	7,324	565	(13,222)	(29,814)	(24,240)	(42,145)	(47,994)	(47,994)

8 Medium Term Financial Strategy (MTFS)

- 8.1 The MTFS is based on a precept Band D increase of 2.94% (£5.67) for 2020/21, and 0% thereafter resulting in the following forecast over the next five years:

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

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Annual growth/ (savings) required	(4.7)	(2.8)	(3.5)	(4.5)	(3.1)
Cumulative savings	(4.7)	(7.5)	(11)	(15.5)	(18.6)

- 8.2 The Chief Constable has requested an inflationary increase in the precept over the life of the MTFS, and we will adjust the MTFS accordingly in light of this working assumption.
- 8.3 Table H 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.

9 Community Safety Grants

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

Table I: Indicative allocations for 2020/21

Fund	£'000
Community Safety	2,328
Community Safety Development	300
Victims' Commissioning	2,103
Additional central government funding	1,430
Total	6,161

Community Safety Fund

- 9.2 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.

Community Safety Development Fund (CSDF)

- 9.3 The PFCC 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. After two rounds of CSDF applications in 2020/21 the PFCC awarded £238,193 to local community and voluntary sector organisations. The closing date for round three of the CSDF is 31st January 2020.

Victims' Commissioning Fund

- 9.4 The PFCC is currently awaiting confirmation from the Ministry of Justice of the 2020/21 grant settlement, the current working assumption is that this grant will be similar to previous years at £2.1m. In 2019/20 the PFCC for Essex received £2.1m core, this was further supplemented by a transfer from the PFCC's Community Safety Fund. Indicative allocations for 2020/21 are shown in Table J.

Table J: 2020/21 Victims' Commissioning Fund Indicative Allocations

Service	Provider	Annual PFCC 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 Violence Advocate (ISVA) service	Essex Rape Crisis Partnership	1,056
Sexual Assault Referral Centre (SARC)	Mountain Healthcare	154
Essex Restorative Justice Service	Essex PFCC	215
Commissioning Support	Essex PFCC	45
	Total	2,471

Additional National Funding

- 9.5 The PFCC has been successful in bidding for central government grants and a devolution of some central government funding. These costs are passed directly through the PFCC's office to provider organisations and are detailed in Table K below:

Table K: 2020/21 Additional National Funding

Service	Issuing Department	Provider	Grant Value £k
Devolved Rape Support Funding	Ministry of Justice	Essex Rape Crisis Partnership	270
Violence Reduction Units	Home Office	PFCC with local partners	1,160
		Total	1,430

10 Police Fire and Crime Commissioner (PFCC)

- 10.1 The 2020/21 net revenue budget PFCC will be £1.2m, which is consistent with 2019/20. The PFCC will receive a recharge from Essex PFCCFRA in accordance with the local business case for joint police/fire governance in the region of £0.2m. Due to changes in complaints management legislation the PFCC will undertake additional responsibilities for which further income will be received from Essex Police.
- 10.2 Significant areas of spend within the PFCC for 2020/21 are expected to be staff costs of £1.2m; internal and external audit costs of £0.15m and communication and engagement costs of £0.070m.
- 10.3 The PFCC is currently undergoing an internal restructure which is expected to go live in 2020/21.

11 Robustness of Estimates

- 11.1 Section 25 of the Local Government Act 2003 requires that the Treasurer reports to the PFCC 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 PFCC will have authoritative advice available to him when he makes his decision. Section 25 also requires the PFCC to have regard to the report in making his decisions.
- 11.2 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 allowances 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
- 11.3 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
- 11.4 The forecast level of general reserve as at 31 March 2020 at £10.6m will represent 3.3% of net revenue expenditure. In addition, there are forecast revenue earmarked reserves of £6m at 31 March 2020. 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 PFCC, Chief Constable and Senior Officers and Staff as being at a minimum and strict financial control is therefore maintained.

Risks

- 11.5 Over recent years the PFCC has been able to maximise the capital resources available through disposal of property surplus to requirements and enable 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. As the Estate Strategy has progressed there are now fewer capital receipts available to the PFCC, along with a reduction in capital grant received from Government, this means that the PFCC is looking to borrow externally in 2020/21. The Treasury Management Strategy 2020/21, to be published before 1st April 2020, will consider this aspect in more detail however prudent measures will continue to be taken to ensure that the value for money is achieved for the taxpayer.
- 11.6 The 2020/21 budget proposal is ambitious and has been rigorously developed by the PFCC and Chief Constable. The five year MTF5 has a built in pay inflation for officers and staff of 2.5% per year, this is currently a prudent estimate. It should be noted that due to the county's proximity to London staff retention and salaries could be affected by changes to London Weighting and South East Allowance. Any developments in this area will be closely monitored during the year however could lead to a potential budget pressures.
- 11.7 Discussions continue to take place at a national level regarding service demand changes to national IT programmes and associated costs. These cost pressures have not been confirmed however the PFCC acknowledges that if cost increases are recharged to local forces this will create a budget pressure in year.
- 11.8 Based on current levels of reserves and the strict financial controls in place between the PFCC and Chief Constable, it is felt that should any of the above risks materialise in 2020/21 the PFCC will be able to respond to them in the year.
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