

<b>Report title:</b> 2021/22 Proposed Police Precept	
<b>Report to:</b> Essex Police, Fire and Crime Panel	
<b>Report author:</b> Police, Fire and Crime Commissioner for Essex	
<b>Date:</b> 4 February 2021	<b>For:</b> Approval
<b>Enquiries to:</b> Elizabeth Helm (Interim Head of Finance & S151 Officer to the PFCC) E-mail: <a href="mailto:elizabeth.helm@essex.police.uk">elizabeth.helm@essex.police.uk</a>	
<b>County Divisions affected:</b> All Essex	

## 1. Purpose of Report

- 1.1. To present the PFCC's proposed police precept for 2021/22.
- 1.2. The PFCC has set out his vision and seven policing priorities in the Police and Crime Plan, which was extended to cover 2020/21 (see <https://www.essex.pfcc.police.uk/what-we-are-doing/police-and-crime-plan/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. The PFCC completed a public survey on the precept which ran from 30<sup>th</sup> November to 20<sup>th</sup> December 2020. The headlines from the survey were:
  - 1,356 people responded to the survey
  - 56% (of 1,161 respondents giving an answer to this question) said that in general, they would be prepared to invest more in policing to help improve the service provided.
  - 72% of the 931 people who gave a view on how much more they were prepared to contribute said up to £10 per year or more.

## 2. Recommendations

- 2.1. The PFCC proposes a precept increase of 4.98%, equivalent to an increase of £9.90 a year, from £198.63 to £208.53 for a Band D property, raising an additional £6.014m of council tax receipts.
- 2.2. The Police, Fire and Crime Panel is invited to review and report back to the PFCC on this proposed precept.

## 3. PFCC's Precept Proposal

- 3.1. Since being elected in 2016 the Commissioner has led a local and national drive to increase funding in Policing which has been strongly supported by the Panel. Having secured support from central government and through both increased precept freedom and more central funding the Commissioner has been able to

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fund the recruitment of an addition 519 officers.

- 3.2. These officers have strengthened the response to serious violence, exploitation and gangs, they have transformed our community policing teams, introduced Town Centre Teams and shifted the focus of policing in our county from managing demand to proactively preventing crime. This has resulted in significant reductions in burglary, theft and anti-social behaviour and early signs that we are successfully reducing violent crime in our communities.
- 3.3. The investment made, and supported by the Panel, is working and crime is starting to fall.
- 3.4. On 17<sup>th</sup> December 2020, the Government issued the Police funding settlement for 2021/22, which:
  - Allows PFCCs £15 precept flexibility without triggering a referendum
  - Provides £413.6m for the recruitment of 6000 additional officers nationally by March 2022.
- 3.5. Prior to the publication of the settlement, two workshops were held with members of this Panel to discuss the current financial position, assumptions and expectations ahead of the announcement. The PFCC would like to record his thanks to those members involved and that their contributions were valuable to the 2021/22 budget setting process.
- 3.6. It is clear from these discussions and engagement with the public and partners prior to developing this proposal that as a country we are under intense financial pressure, and every penny we spend needs to be justified. In preparing this proposal we have been through the budgets for the service and scrutinised the proposals thoroughly. We have also continued to improve the efficiency, with the Essex Police budget including nearly £4 million of additional efficiency savings that will be reinvested in the frontline.
- 3.7. In light of the pressures on residents in Essex, as a result of rising unemployment and the ongoing impact of the COVID19 pandemic, the PFCC will not be maximising the precept flexibility available in 2021/22.
- 3.8. In the discussions with the Panel, the public and partners it is also very clear that as the country emerges from the COVID-19 pandemic it is more vital than ever that we invest in our emergency services. It is this investment that will continue to push back crime and creates the safe and secure communities that are the bedrock on which communities flourish and businesses grow and prosper. The Police are essential to creating the environment we all need and where we can build back better and stronger than ever before.
- 3.9. The funding position for the PFCC is set out in the table below, which reflects the funding laid out in the provisional settlement and council tax position from the billing authorities.

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Table 1: Funding sources for 2021/22 compared to 2020/21

Funding Source	2020/21 £'000	2021/22 £'000	Movement £'000	Movement %
Home Office Core Grant	115,509	119,328	3,819	3.31%
Home Office Formula Grant	56,231	63,237	7,006	12.46%
Council Tax Freeze Grant	2,133	2,133	-	0%
Council Tax Support Grant	10,992	10,992	-	0%
Council Tax Precept	128,392	134,406	6,014	4.68%
Collection Fund Surplus	1,458	214	- 1,244	-85.32%
<b>Total Funding</b>	<b>314,715</b>	<b>330,310</b>	<b>15,595</b>	<b>4.96%</b>

3.10. The Council tax precept income is driven by two elements:

- i) An increase in the precept of £9.90 from £198.63 in 2020/21 to £208.53 in 2021/22, an increase of 4.98%. This increases council tax receipts by £6.4m.
- ii) Change in the taxbase from 646,387 to 644,541 Band D equivalent properties. This reduces council tax receipts by £389,000.

3.11. The financial impact of COVID19 has been a feature of budget setting, resulting in the reduction to the taxbase, compared to a previous upward trend, and a reduction to the collection fund surplus as council tax liabilities have reduced with increased unemployment.

3.12. The Home Office Core Grant has increased which reflects 100% of the Essex share of the 6,000 officer growth in 2020/21 (135 officers).

3.13. The Home Office Formula Grant has increased, reflecting 76% of the Essex share of the 6,000 officer growth in 2021/22.

3.14. The Home Office has ringfenced 24% of the Essex share of the 6,000 officer growth in 2021/22. This will be claimable quarterly in arrears and will be based on recruiting the additional officers.

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

4.1. The 2021/22 budget sets 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 2021/22 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 working group.

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- 4.2. The 2021/22 budget requirement is £330.31m and an analysis of the budget is contained within the following appendices:

Appendix A: Letter from the Chief Constable requesting a precept increase of 4.98% including 2021/22 budget summary and Police Officer Growth Plan 2021/22

Appendix B: 2021/22 Budget Summary

- 4.3. The 2021/22 budget of £330.31m proposes an increase in spend of £15.594m. This increase in spend is due to £11.086m of inflation and cost pressures and £9.907m of new investment, which have been partially offset by proposed savings and use of one-off funding resources.

Table 2: Summary of Budget movement from 2020/21

	£'000
2020/21 Original Budget	314,716
Activity occurring before 1st April 2021	(2,484)
<b>2020/21 Base Budget</b>	<b>312,232</b>
Inflation and cost pressures	11,086
New Investment & Service demands	9,907
One off pressures (offset by one off savings)	3,909
Funding for one off activity	(3,346)
<b>Budget requirement before savings</b>	<b>333,788</b>
Recurring savings	(3,478)
<b>2021/22 Net Budget requirement</b>	<b>330,310</b>

- 4.4. Essex Police proposes to invest £9.907m in 2021/22, the detail of this can be seen in table 3 below.

Table 3: Areas of Investment in 2021/22

Areas of Investment	£'000
Increase in Police Officers (184 Officers)	7,430
Full year impact of increase in establishment in 2020/21 (151 officers & 60.8 Staff)	2,739
Service demand changes	1,763
Revenue consequences of capital programme	(201)
Cost of Borrowing for Capital (Minimum Revenue Provision and Interest)	259
Local initiatives	94
Specific Grant for National Police Uplift Programme	(2,200)
Other budget adjustments	23
<b>Total Investment</b>	<b>9,907</b>

- 4.5. Essex Police proposes to recruit an additional 184 police officers in 2021/22. Of these officers, 132 will be funded from the Government's Police Uplift Programme. Of these 132, six are designated for the Regional Organised Crime Unit (ROCU) as mandated by the Home Office Grant conditions. A further 52 officers would be recruited and funded from the precept uplift. Detail of where these officers would be posted are shown in table 4 below.

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Table 4: Investment in additional police officers

Investment in additional Police Officers	Officers FTE
DPA Disruptor Teams	35
Serious Violence Team	30
Domestic Abuse Problem Solving Team	22
Management of Sexual or Violent Offenders	14
Domestic Abuse Proactive Team	14
Surveillance	9
Major Crime	8
Road Crime Team	7
Operation Bluebird (People Trafficking)	6
Firearms Instructors	6
Regional Organised Crime Unit	6
Professional Standards	5
Athena Development Team	5
Organised Crime Group Management Unit	4
Modern Slavery and Human Trafficking and Serious Organised Crime	4
Dog Handlers	3
Taser Training	1
Missing Person Sergeant	1
Federation Officer	1
Driver Training	1
Data Protection Team	1
Crime Prevention Inspector	1
<b>Total Operational Policing</b>	<b>184</b>

4.6. At the end of March 2022, Essex Police plans to have an officer establishment of 3553 officers. This will mean that Essex Police will have grown by 703 police officers since May 2016.

4.7. This continues to be a highly ambitious recruitment programme, however the work undertaken in recent years to increase the recruitment in the county places Essex Police in a strong position to deliver the Government's Police Uplift Programme. A police officer growth plan for 2021/22 has been included within the Chief Constable's letter to the PFCC, however it should be noted that these dates and timings are subject to change based on operational requirements.

### 5. Savings and Efficiencies

5.1. Essex Police has achieved significant savings in recent financial years and continues to do so. The 2021/22 budget includes cashable savings of £3.478m with a full year effect. The 2021/22 in year savings are £4.455m, which includes a one-off cashable saving for police staff vacancy factor.

5.2. Additionally, there are £416,000 of non-cashable savings in 2021/22.

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- 5.3. The Strategic Change Efficiencies and Savings Plan for 2021/22 has identified the following savings to be delivered in 2021/22:

Table 5: Strategic Change Efficiencies and Savings Plan 2021/22

<b>Saving</b>	<b>Cashable £'000</b>
Coroners Contract	(33)
Criminal Justice	(59)
Non-Pay	(1,375)
Additional Non-Pay	(29)
Estate Disposals (Gross Revenue)	(160)
Crime and Public Protection	(614)
OPC Command	(116)
Contact Management	(157)
Professional Stantards	(22)
Support Services Directorate	(866)
Office 365	(48)
<b>Total Recurring Savings</b>	<b>(3,478)</b>

- 5.4. Delivery of the savings plan will be monitored regularly throughout the year by the PFCC through the relevant Boards.

## 6. Reserves

- 6.1. The forecast general reserve at 31 March 2021 is £12.2m, or 3.97% of net revenue expenditure and earmarked reserves of £8.9m to give total usable reserves of £21.1m. The PFCC is also forecasting to utilise all capital receipts to the 31 March 2021 in order to fund the ongoing capital programme.
- 6.2. The CIPFA recommended level of general reserves is 3% of net revenue expenditure. The proposed budget includes an appropriation from the general reserve of £1.2m in 2021/22 as part of the one-off funding line, which will bring the balance to £11m, or 3.3% of net revenue expenditure.
- 6.3. A summary of the earmarked reserves held is detailed below in table 6.

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Table 6 Level of Earmarked Reserves

Reserve	Forecast balance £m at 1st April 2021	Use as per Home Office categories
POCA Income	2.0	General contingency of resource to meet other needs
Forfeiture Monies Reserve	0.2	General contingency of resource to meet other needs
Restructuring Reserve	0.1	Planned expenditure on projects and programmes over next three years
Major Operational Reserve	1.5	General contingency of resource to meet other needs
Operational Transformation	0.5	Planned expenditure on projects and programmes over next three years
Transformation	0.3	Planned expenditure on projects and programmes over next three years
Data Analytics Reserve	0.1	Planned expenditure on projects and programmes over next three years
Police Education Qualification Framework	0.3	Planned expenditure on projects and programmes over next three years
Special Constabulary	0.1	Planned expenditure on projects and programmes over next three years
Future Capital Funding	3.3	Planned expenditure on projects and programmes over next three years
Chief Constable's Reserve	0.5	Planned expenditure on projects and programmes over next three years
<b>Total Earmarked Reserve</b>	<b>8.9</b>	

### 7. Capital Investment Programme

- 7.1. The Capital Programme for 2021/22 is an estimated capital expenditure of £19.079m. A summary of the forecast expenditure and funding sources over the next five years is shown in table 7.
- 7.2. Capital projects which have been approved are forecast to spend £8.482m in 2021/22, with the largest element of this being Estates Business as usual, at £4.338m which includes the Data Centre Provision, CCTV replacement to custody suites and the ongoing capitalised maintenance programme.
- 7.3. The capital projects which are subject to approval are £10.597m in 2021/22. The most significant spend relates to IT Services (£4.035m) which includes the Infrastructure Technical Refresh which is the programme to replace devices, services and network upgrades across the force and is essential to ensure that the IT system remains fit for purpose and the Device Firmware Upgrade (DFU) Redesign. Estates Strategy projects of £3.620m include projects relating to the HQ reprovision and the disposals reprovision facility project.
- 7.4. The forecast capital expenditure over the five years from 2021/22 to 2025/26 is £92.743m.
- 7.5. In 2021/22, capital receipts of £5.62m are forecast to be received, which will be

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applied to finance the capital expenditure.

- 7.6. The capital programme will require borrowing in order to finance the proposed expenditure in 2021/22. Both the interest costs and Minimum Revenue Provision (MRP) associated with this borrowing have been reflected in the revenue budget.





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### 8. Medium Term Financial Strategy (MTFS)

- 8.1. The MTFS is based on a precept increase of 4.98% (£9.90 per year/19p per week) for a band D equivalent property for 2021/22 and a 2.5% inflationary increase in the precept thereafter, resulting in the following forecast over the next five years:

Table 8: Latest Medium Term Financial Strategy

	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
Expenditure (with identified savings)	330.3	340.7	350.2	357.8	366.8
Funding	(330.3)	(336.1)	(341.9)	(348.3)	(354.8)
<b>Shortfall/ (Surplus)</b>	<b>0.0</b>	<b>4.6</b>	<b>8.3</b>	<b>9.5</b>	<b>12.0</b>

- 8.2. There is a need to continue to deliver efficiencies and savings over the medium term.

### 9. Robustness of estimates

- 9.1. Section 25 of the Local Government Act 2003 requires that the Section 151 Officer reports to the PFCC when he is considering his budget and council tax precept. 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.

- 9.2. 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

- 9.3. 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

- 9.4. The forecast level of general reserve at 31 March 2021 of £11.6m will represent 3.7% of net revenue expenditure. In addition, there are forecast revenue

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earmarked reserves of £7.373m at 31 March 2021. The total level of revenue reserves is one of the lowest for PCCs 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.

### 10. Risks

- 10.1. 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 2021/22. The Treasury Management Strategy 2021/22, to be published before 1<sup>st</sup> April 2020, will consider this aspect in more detail however prudent measures will continue to be taken to ensure that value for money is achieved for the taxpayer.
- 10.2. The 2021/22 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 pressure.
- 10.3. 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.
- 10.4. 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 2021/22 the PFCC will be able to respond to them in the year.