

Essex Police and Crime Panel	EPCP/01/17
Date: 26 January 2017	

Proposed Precept for 2017-18

Contacts: Roger Hirst, Police and Crime Commissioner (PCC) for Essex,
Charles Garbett, Treasurer

1. Purpose of Report

- 1.1 To present the PCC's proposed precept for 2017-18.
- 1.2 The PCC 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 a difference in building safe and secure communities.
- 1.3 Members will recall the initial scene setting report approved at the last meeting of this Panel on 1st December 2016. Since the last meeting the Government have issued a Provisional Police Grant Report for 2017-18 with finalised figures expected shortly.

2. Precept Proposal

- 2.1 The PCC proposes a precept increase of 3.25%, equivalent to an increase of £4.95 a year from £152.10 to £157.05 for a Band D property, raising £3.1m of additional council tax receipts.
- 2.2 The Police and Crime Panel is invited to review and report back to the PCC on his proposed precept.

3. Funding for the PCC

- 3.1 The PCC's proposed net revenue budget of £268.9m for 2017-18 is financed approximately two thirds by Government grant and one third Council Tax.
- 3.2 The Provisional Police Grant Settlement for 2017-18 provides 1.3% less than 2016-17. The Government's headline from the Home Office is that no PCC will face a cash reduction in their overall funding as long as they maximise their precept. The position for Essex is set out in Table A below.

Table A: Provisional Government Grant 2017-18 compared with 2016-17

Funding	2016-17 £m	2017-18 £m	Difference £m	% Change
Home Office Core Grant	102.7	101.3	-1.4	-1.4
Home Office Formula Grant (Ex-DCLG Grant)	55.9	55.1	-0.8	-1.4
Legacy Council Tax Grants	13.1	13.1	Nil	Nil
Total Provisional Government Grant (63% of total for 2017-18)	171.8	169.6	-2.2	-1.3
Council Tax Precept	92.6	97.4	4.7	5.1
Collection Fund Surplus	1.8	1.9	0.1	6.0
Total Council Tax receipts (37% of total for 2017-18)	94.4	99.3	4.8	5.0
Total Funding	266.2	268.9	2.6	1.0

3.3 The Council Tax precept income shown in the above table consists of two changes totalling £5.1m:

- i) An increase in the precept Band D of £4.95 from £152.10 in 2016-17 to £157.05 in 2017-18; an increase of 3.25% and increasing council tax receipts by £3.1m.
- ii) A year on year increase in the tax base from 609,121 to 620,121 Band D equivalent properties; an increase of 1.8% and increasing council tax receipts by £1.6m.

3.4 Essex Police has an historic backdrop of lean spending, with the lowest net expenditure per head of population of all forces in England & Wales. In the context of the constraints on public expenditure resulting from the great recession, we must recognise the sterling work of the Force in delivering over £74m of savings over the course of the last six years.

3.5 The PCC has therefore separately earmarked the additional council tax receipts of £3.1m to be used to invest in priorities included in the Police and Crime Plan.

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

4.1 Presenting the 2017-18 Budget provides a timely opportunity to draw together the PCC's recently published PCP and the resources best deployed to meet the seven service priorities and aims for keeping Essex safe. The 2017-18 budget has been developed working alongside the Chief Constable and his Chief Officer Management Team and presented in this report for members information and scrutiny.

4.2 The 2017-18 budget requirement is £268.9m and an analysis of the budget is contained within the following appendices:

Appendix A: A high level 2017-18 budget overview showing the movement between the 2016-17 original budget and 2017-18 final budget requirement.

Appendix B: A more detailed analysis of the movement between the original budget for 2016-17 and 2017-18. The analysis provides additional information on budget changes relating to:

- Unavoidable cost pressures
- New investment enabled by the precept increase
- Savings to be achieved.

Appendix C: 2017-18 Revenue Budget – Subjective Analysis

4.3 The financial performance of the Force is clear. For the latest financial year 2015-16, the PCC and Force spent within the overall budget of £262.5m to break even. Tight financial management and control enabled this position to be achieved and the expectation is that a similar result will emerge for 2016-17 spending contained within the overall budget of £266.3m. Moreover, the requirement to spend within overall budget provision applies to each future year of the MTFS. This position is not easily achieved and is recognised by HMIC in their assessment that financial management is sound.

4.4 From a sound financial base the PCC has drawn upon particular priorities within the Police and Crime Plan that are incorporated into his 2017-18 budget proposal for new investment:

More local, visible and accessible policing and tackling more serious crime (£1.524m)

The police officer establishment will increase by 41 police officers to 2,850 FTEs at an additional cost of £1.524m. There will be an additional 30 police officers for regular front line policing and for the Serious Crime Directorate (SCD). There will also be 11 additional firearms officers.

Boost community volunteering – doubling the Special Constabulary, with a Special Constable in every community (£0.395m)

There will be a phased expansion of the Special Constabulary, increasing the establishment from 350 to 700. It is anticipated that we will achieve 532 special constables in 2017-18 at an additional cost of £0.395m in 2017-18.

Improved communications between the police and local communities (£0.518m)

The PCC recognises the improvement needed in the 101 system based on the public's feedback and an additional 15.5 FTE staff will be recruited to the Force control room costing £0.518m to both support managing additional demand from 999 calls and investing resources in the 101system.

Tackle Gangs and Organised Crime (£0.492m)

Investment in capability to meet the Strategic Policing Requirement in relation to cyber-crime, meet the increased demand in relation to fraud and referrals from the National Fraud Intelligence Bureau and progress with digital technologies. This investment will be backed by a range of performance measures including an increase in the number of offenders brought to justice and an increase in the incentivisation receipts due to proactive investigations.

Effective Use of Technology (£0.358m)

The plan to deliver mobile policing to all front line officers is firmly on track and real progress is being made towards ensuring effective delivery of the Athena Police IT system. Over the next 12 months five forces are planning to go live with Athena sharing an increased database thereby helping to achieve a stepped change in the use of police technology for Essex and the wider mutual benefit of the Athena family of forces. For the 2017-18 revenue budgets £0.358m is set aside for the revenue consequences of these projects.

Service changes to address challenges (£0.442m)

Following benchmarking and a review by PA Consulting the Force has acknowledged the need to introduce Finance Business Partners and a new Director post. The additional support enabled with this investment is expected to ensure that budgeted resources are closely aligned with Police and Crime Plan priorities. The costs of these changes are reflected in the recurring costs of £0.442m along with surveys, research costs and an additional analyst post and performance measurement is enhanced.

- 4.5 The above new investment totals £3.729m. However, taking into account the set up time for the new investment an in year saving of £0.659m is planned thereby reducing the investment cost in 2017-18 to £3.07m.

Table B: Summary of new investment for 2017-18

Investment	£m
More local, visible and accessible policing and tackling more serious crime	1.524
Boost community volunteering – doubling the Special Constabulary with a Special Constable in every community	0.395
Improved communications between the police and local communities	0.518
Tackle gangs and organised crime	0.492
Effective use of technology	0.358
Service changes to address challenges	0.442
Sub total	3.729
Less in year saving due to timing of investment	-0.659
Total	3.07

5 HMIC's view of Essex

- 5.1 HMIC's 'PEEL' assessments are a useful reference for an independent external view of 'Police Effectiveness, Efficiency and Legitimacy' in Essex. The PEEL assessments are annual, started in 2014 and are starting to offer the advantage of a single source viewpoint over a medium term.
- 5.1 The 2016 assessment graded Essex Police as 'good' for efficiency and legitimacy. The grading for effectiveness has not yet been announced. The 2015 assessment for effectiveness led to further investment in public protection services including more specialist police officers and staff to tackle horrific crimes such as child abuse, domestic violence and child sexual exploitation.
- 5.2 The Force has indeed taken the issues seriously with a significant shift in resources moved into public protection during 2016-17. The Force's spending on public protection is now the highest in comparison with the most similar group of Force's.
- 5.3 Overall, HMC VFM profiles have consistently shown Essex Police to be one of the most efficient forces across the country (add HMC link). In their 2016 profile, HMC highlighted the fact that Essex Police has the lowest cost of policing to the tax payer per head of population. Essex is already made significant efficiencies. It has a deep programme of collaboration with Kent Police, including sharing of back office functions, and is collaborating ever more closely with other forces in the eastern region and with wider public sector partners.

6 Capital Investment Programme

- 6.1 The Capital Programme for the five year period 2017-18 to 2021-22 shows estimated capital expenditure amounting to £17.415m for 2017-18. A summary of planned expenditure and funding sources is shown in Table C below.

- 6.2 Significant project work streams during 2017-18 are IT totalling £9.509m which includes the Mobile Policing Programme and the Emergency Services Mobile Communications Programme (ESMCP) Project. The Mobile Policing Programme is estimated to cost (total revenue and capital expenditure) a total of £13m over the next nine years and it is estimated that the efficiency savings through the use of this technology will enable savings in officer time to be further reinvested in front line services.
- 6.3 The programmed spend is not yet complete for future years beyond 2017-18 as work is in progress in elaborating the estates strategy and IT strategy. Nevertheless, the planned receipts from the disposals plan are included in order to forecast the scope for capital investment and avoiding external borrowing.
- 6.4 The closing funds balance indicates that, depending upon the profile of investment and receipts, the PCC may need to fund capital investment from internal borrowing for a temporary period.

Table C – 5 Year Capital Investment Programme 2017-18 to 2020-21

Capital Investment	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	Total £'000
Opening funds balance	4,068	(2,399)	5,275	3,393	(340)	31,472	
Resources generated in year:							
Home Office Grant	1,100	935	935	935	935	935	5,775
Capital Receipts	4,400	24,154	6,900	1,360	33,200	0	70,014
POCA/Revenue contributions	1,397	0	0	0	0	0	1,397
Total Forecast Capital Resources	6,897	25,089	7,835	2,295	34,135	935	77,186
Less estimated capital payments in year:							
- Approved projects	13,364	6,101	2,459	3,062	2,323	2,280	29,589
- Estates business as usual	0	725	100	2,500	0	0	3,325
- Estates Strategy	0	3,477	3,231	150	0	0	6,858
- IT Services	0	6,902	3,847	316	0	0	11,065
- Other	0	210	80	0	0	0	290
Total Forecast Capital Expenditure	13,364	17,415	9,717	6,028	2,323	2,280	51,127
Closing funds balance	(2,399)	5,275	3,393	(340)	31,472	30,127	

- 6.5 The total of Government Capital Grant and forecast capital receipts for 2017/18 are £25.089m and the forecast capital expenditure is £17.415m, with £6.101m already approved and £11.314m subject to approval. This is forecast to result in a surplus closing balance in 2017/18 of £5.275m. In other words, the cost of capital investment is planned to be financed from capital grant and capital receipts.
- 6.6 Work is in progress to align the future capital programme investment from 2018/19 with available capital grant and receipts. Both the estates strategy and IT strategy

are being refreshed over the next three months in order to ensure that the size and shape of investment making up the future capital programme enables a transformational change. The new capital programme, shown in summary in Table C above requires capital receipts from disposals to fund estates modernisation and transformational technology.

- 6.7 The PCC's capital programme is significantly different to the capital forecast presented to the Police and Crime Panel on 29 January 2016, which for convenience is shown below in Table D:

Table D: Capital Investment Forecast presented to the PCP 29 Jan 2016

Capital Investment	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	Total £'000
Opening funds balance	4,699	(26,056)	(49,033)	(30,345)	(31,577)	-	
Resources generated in year:							
Home Office Grant	1,100	1,100	1,100	1,100	1,100	-	5,500
Capital Receipts	3,373	5,150	36,450	13,150	2,500	-	60,623
Total Forecast Capital Resources	9,172	6,250	37,550	14,250	3,600	-	66,123
Less estimated capital payments in year:							
- Estates Strategy	14,626	20,300	13,850	10,570	3,380	-	62,726
- IT Services	10,576	5,909	2,005	1,926	1,127	-	21,543
- Fleet, ANPR, Southend Police Station & other	10,026	3,018	3,007	2,986	2,196	-	21,233
Total Forecast Capital Expenditure	35,228	29,227	18,862	15,482	6,703	-	105,502
Closing funds balance	(26,056)	(49,033)	(30,345)	(31,577)	(34,680)	-	

- 6.8 The capital payments forecast of one year ago shown in Table D above at £105m over a 5 year period includes investment in a new Force HQ. A replacement Force HQ is not yet shown in the new capital programme at Table B as a range of options are still being considered and the Chief Constable will make a set of proposals to the PCC. However, the capital receipts show a more meaningful comparison and show a higher figure of £70m in the current capital programme against an estimated £60.6m of one year ago. This is due to the PCC's prudent approach to maximising capital receipts by obtaining planning consent where appropriate to change the status of properties prior to sale from office to residential and adopting a fair but rigorous approach to negotiating sales.

7 Medium term Financial Strategy (MTFS)

- 7.1 The MTFS is based on a precept Band D increase of £4.95 for 2017-18 and 0% thereafter resulting in the following forecast:

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

	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
Annual growth/ (savings) required	(3.6)	(8.1)	(4.6)	(4.9)	(4.5)
Cumulative savings	(3.6)	(11.7)	(16.3)	(21.2)	(25.7)

- 7.2 Table E 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 As highlighted to Panel members on 1st December 2016 the level of general reserves forecast for 31st March 2017 is £13.2m and this low level of reserves, at 5% of net revenue expenditure is forecast to continue through the medium term to 2021-22.

8 Community Safety Grants

- 8.1 There are three funds supporting the PCC's allocation of Community Safety Grants with the indicative allocations shown in the Table E below:

Table E: Indicative allocations for 2017-18

Fund:	£'000
Community Safety	2,078
Community Safety Development	300
Victims' Commissioning	2,200
Total	4,578

Community Safety Fund

- 8.2 As per previous years, the PCC'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 and 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 Crimestoppers, Neighbourhood Watch, and a strategic hate crime prevention partnership coordinator.

Community Safety Development Fund

- 8.3 The OPCC 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.

Victims' Commissioning Fund

- 8.4 The Ministry of Justice have confirmed the grant settlement for 2017-18 at £2.1m. In 2016-17 the OPCC for Essex received £2.1m, which was supplemented by a transfer from the PCC's Community Safety Fund.

Table F: 2017-18 Victims' Commissioning Fund

Service	Provider	Annual PCC cost £k
Referral and Assessment service	Victim Support	655
Independent Domestic Violence Adviser (IDVA)	Safer Places	451*
Community based sexual abuse support and Independent Sexual Violence Advocate (ISVA) service	Essex Rape Crisis Partnership	680
Essex Restorative Justice Service	Essex OPCC	120
	Total	1,906

* Plus additional contribution of £249,000 from upper-tier 3 local authorities

- 8.5 Additional funding from the Victims' Commissioning Fund has indicatively allocated to fund OPCC commissioning support resources, the Sexual Assault Referral Centre (SARC) at Brentwood Community Hospital, and a contribution to the partnership domestic abuse resources including the Multi-Agency Risk Assessment Team (MARAT) and a domestic abuse partnership manager.

9 Robustness of Estimates

- 9.1 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.
- 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 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
- 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 as at 31 March 2018 at £13.2m will represent 5% 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.

9.5 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 2017-18, to be published before 1st April 2017, will consider this aspect in more detail.
