

BJ Harrington
Chief Constable



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Roger Hirst
Police, Fire and Crime Commissioner
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4th January 2019

Dear Commissioner,

As Chief Constable it is my professional recommendation that you increase the council tax precept for 2019/20 and that we continue to work together to make Essex even safer.

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 Home Office announcement on 13th December and utilises the maximum additional funding available. These include structural changes to force funding made by central government (an additional £3.286m)¹, a new pension grant (£2.892m), a maximum precept (£16.888m), and a small reduction in the precept collection fund surplus (final figure to be confirmed). In total, this represents maximum additional funding of £23.049m in 2019/20. It should

¹ Based on an additional £2.204m from the Home Office Core Grant and £1.082m from the Home Office Formula Grant.

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be noted that the funding proposal is based on 73% local taxation and 27% from central government. Table A below sets out the year on year comparison.

Table A: Funding Comparison

Funding Source	2018/19	2019/20	Increase/ (decrease)
	£m	£m	£m
HO Core Police Grant	101.347	103.551	2.204
HO Formula Grant	55.149	56.231	1.082
Council Tax Freeze Grant	2.133	2.133	-
Council Tax Support Grant	10.992	10.992	-
HO Pension Grant	-	2.892	2.892
Council Tax Precept	106.246	123.134	16.888
Collection Fund Surplus	1.562	1.545	(0.017)
Total	277.429	300.478	23.049

Pensions

In the Budget in October the Chancellor confirmed that the discount rate for calculating employer contributions to unfunded public service pension schemes would be reduced to 2.4% plus consumer price index. This clearly is a significant additional cost to employers in providing public service pensions over the long term.

For policing this means that the employer contribution changes from 24.2% to 31.0%². In 2019/20 the government has addressed the funding shortfall via a new direct pension grant of £2.892m and by increasing the Home Office grants, in total these equate to an additional £6.178m. It was previously understood that the force would receive £3.5m in pension grant but this was top sliced for counter terrorism and the National Crime Agency. It should be noted though that the additional pension cost for Essex Police is £6.333m (this excludes pensions for the additional officers). This is higher than expected as the employer pension contribution changed from an increase of 3.84% to 6.8%. It is anticipated that the Spending Review will take into account the changing discount rate of future pensions, which has the potential to cause real resourcing issues for forces.

2019/20 budget

The Strategic Board was also held on 13th December and factored in growth of 215 officers as an option, and the 2019/20 budget was almost balanced; a concern though was a forecast deficit in 2020/21 of £8.6m.

Following the Home Office announcement, changing future years' assumptions and revisiting the calculations for one-off and recurring costs, the medium term finance strategy now has a balanced budget for 2019/20 and a deficit of £4.1m in 2020/21. I believe that the future deficit can be managed by achieving savings greater than the £1.0m currently identified, reviewing structural changes e.g. impact of proposed shift

² The on costs (National Insurance and pensions) for a police officer from 1/4/19 will be 44.8%

pattern changes on summer demand and if necessary amending the flow of intake of new officers.

The full budget breakdown is shown in Appendix A and Table B below summarises the budget proposal.

Table B: Budget Movement

Budget Proposal Summary	£m
Opening Budget	277.429
Recurring Activity Prior 1/4/19	0.685
2019/20 Base Budget 1/4/18	278.114
Inflation and Cost Pressures	3.682
Police Officer Pension Increase	6.333
New Investment & Service Demands	15.583
One-Off Investment	3.510
One-Off Activity	1.464
Transfer from Earmarked Reserves	(0.179)
Transfer from General Reserves	(0.348)
Funding for One-Off Activity	(2.866)
Budget Requirement Before Savings	305.293
Savings	(4.815)
2019/20 Budget Requirement	300.478

Precept increase

In September a National Audit Office (NAO) report, *Financial Sustainability of Police Forces in England and Wales*, estimated that police and crime commissioners in England and Wales suffered a 19% real-terms reduction in funding between 2010-11 and 2018-19. A few weeks later after this report, the Public Accounts Committee issued its own, which said that real-terms cuts to constabularies were damaging public confidence in forces.

I have read both publications but more importantly have seen the evidence that demand for police help continues to rise and have spoken to many officers, members of police staff, politicians and of course members of the public in Essex. Nothing in any of that data or those conversations has given me cause to shift from a position that investment into policing in Essex, and particularly front line, local policing, is essential to making the county safer and protecting the most vulnerable from the most harm.

I fully appreciate your support as the Association of Police and Crime Commissioners (APCC) Finance Lead and the influence that you have had in securing a favourable settlement which includes the ability to raise the precept up by £24. I am also supportive of lobbying from the National Police Chiefs Council (NPCC), the Police Superintendents' Association and the Police Federation.

I am now in a position to formally recommend and request that you raise the council tax by 14.16%, thereby having a Council Tax Band D of £192.96. This will raise an additional £15.277m, then with the increase in the tax base this equates to £16.888m realising a 2019/20 budget of £300.478m.

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.

If agreed, the majority of additional funding from the precept will be invested in 215 additional police officers and 26 operational police staff who will be supporting local policing arrangements. This will meet our aspiration of increasing Essex Police establishment to over 3,000 FTEs and by March 2020 the establishment is forecast to be 3,215 FTEs. Whilst I aspire to 215 additional officers the very tight timescales within which this has been developed to meet the governance deadlines since the funding settlement was confirmed mean I must caveat that there might be adjustments to the final officer numbers as the reality of some complex assumptions become known. I do not anticipate this to be significant and I would have confidence this would not reduce officer growth to less than 3200 officers.

My briefing note to you on 6th December 2018 set out details of how I would invest additional funding and at the time this was for 150 additional officers, 26 operational support staff and 6 support staff for infrastructure. These number have subsequently increased and are now 215 additional officers, 32 operational police staff and for the infrastructure 18 support police staff to service business needs of the workforce. The table below sets out how I intend to allocate the additional resources.

Table C

Investment for Additional Police Officers and Staff		
Investment	Officers	Staff
	FTE	FTE
Town Centre Teams	68.0	0.0
Information Management	0.0	11.0
Gangs	19.0	11.0
Children/Young People	20.0	0.0
Business Crime	3.0	1.0
Roads Policing Unit	21.0	0.0
Crime & Public Protection	20.0	3.0
Local Policing Teams	50.0	0.0
Serious Crime Directorate Modern Slavery	5.0	0.0
Serious Crime Directorate Volume Fraud	1.0	0.0
Serious Crime Directorate OP Signature	0.0	3.0
Serious Crime Directorate OCG Co-ordinators	0.0	3.0
Violence & Vulnerability unit	1.0	0.0
GTRET (Rural Engagement Team)	7.0	0.0
Total - Operatinonal Policing	215.0	32.0
Support Costs (recruitment, standard training)		18.0

It should be noted that 168 of the 215 officers (78%) will be allocated into local policing.

Appendix B sets out a draft financial plan of recruiting to 3,215 officers by the end of the financial year at an additional cost of £5.639m. The full year effect for 2020/21 is £8.826m. However, once again I must caveat that the final detail of the recruitment and training plan is subject to ongoing review. It will take into account variables such as the ability to attract, select and undertake vetting of suitable candidate as well as the forces capacity to provide the mandatory training.

Savings and efficiency plan

Essex Police is absolutely committed to maximising the benefit out of every penny the force spends in its efforts to continue work that will modernise the service and continue to 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.

The identified savings and efficiencies for the force in 2019/20 total £4.752m cashable, and include savings from restructuring within the Serious Crime Directorate (£1.176m), non-pay and contractual reviews within Support Services Directorate (£1.380m) and an increase in the vacancy factor for support staff up to 6% (£1.0m). Additionally the force has also identified £3.609m non-cashable savings, predominately from body worn video. The target set for the force by yourself was 2.25% of the MTFs and this was £6.413m; this has been met by combining the cashable and non-cashable savings.

Investment

I have set out below in Table D how the force intends to maximise the benefits derived from a precept rise. This includes the increase in officer and staff establishments, the supporting infrastructure including non-pay costs, the new revenue costs for body worn video (funded by a capital contribution in 2018/19), IT and collaboration projects e.g. network growth, FCR and multi-agency safeguarding, service demands e.g. Estates Department restructuring, fuel, forensics, and overtime during peak periods.

Table D: Investment

Proposed Areas of Investment	£m
Increase in establishment (215 officers and 50 police staff)	7.757
Full year impact of increase in establishment 2018/19 (150 officers)	1.582
Full year impact of 2018/19 investment	0.338
Body worn videos, including Specials	0.959
Increase in summer demand	0.500
Increase in bank holiday demand	0.250
IT investment and collaboration projects	1.554
Service demand changes	1.349
Roads policing infrastructure	0.300
Revenue consequences of capital programme	0.352
Local initiatives, including cyber dogs	0.475
Other budget adjustments e.g. custody meals, traffic signs	0.167
Total	15.583

Appendix C sets out the supporting documents that will be forwarded to your Acting Treasurer to support this budget proposal.

The Future

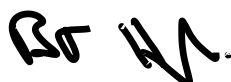
Her Majesty's Inspector of Constabulary and Fire and Rescue Services (HMICFRS) has once again inspected Essex Police and have found a force that is effective and efficient and treats people with fairness and respect.

It is essential that the progress made last year in addressing the acute financial challenges and the operational and public challenge to do more to secure a more visible, local and preventative police force is continued into the future.

Whether the still far too high numbers of people killed and injured on Essex roads, the urgent and ongoing challenge to the entire country of violence – whether related to domestic abuse or so-called *county lines* – the demands of the digital age and increasing high harm crimes, Essex is a county that experiences levels of criticality every day that other mainly rural forces simply do not.

With Essex Police focusing its main efforts on tackling violence and vulnerability, supporting victims and being a more visible presence in support to Police and Crime Plan priorities I believe this investment will make Essex an even safer county than it is today. It is for these reasons that I make a strong recommendation that an increase in the policing precept as outlined above is essential.

Yours sincerely,



BJ Harrington
Chief Constable

2019/20 Budget Summary - Chief Constable's Proposal		
Line Ref:		£000
1	<u>2018/19 Original Budget</u>	277,429
		Opening budget as per 2018/19 Budget Setting MTFs
Recurring Activity Occurring Before 1st April 2019		
2	Recurring Pay Changes	971
3	Adjustments from previous budget settings including removal of one-off costs above short term budget and funding & income no longer required / achievable	(286)
		Sept 2018 2% payrise for April to August 2019, removal of the non-consolidated pay award and reduction in maternity leave budget
		Includes savings of £118k (growth not required from 2017/18), a £150k net reduction in income for apprenticeship scheme and reduction of £258k for the removal of 2018/19 one-off costs.
4	Total Recurring Activity Occurring Before 1st April 2019	685
5	<u>2019/20 Starting Budget after adjustment to 2018/19 base for activity occurring before 1st April 2019</u>	278,114
		An increase of £0.7m to the 2018/19 Original Budget
Unavoidable Cost Pressures		
7	Recurring Pay inflation	1,848
8	Pay (not inflation) e.g. increments/turnover	(353)
		Based on 2% from Sept 2019
		Includes increments of £1.7m, £0.6m for loss of pay whilst on annual leave, £1.1m for investment during 2018/19 & savings from average Police Officer turnover of £4.8m.
9	Police officer pension increase	6,333
		Police officer pension revaluation employers contribution increased by 6.8% (24.2% to 31%)
10	Contractual Inflation & De-flation	812
		Includes inflation for utilities, rates and IT.
11	Operational and Support Contractual and Legal cost pressures	1,375
		Includes increase in motor insurance premium, Eastern Region Special Operations Unit (ERSOU) and National Police Air Service
12	Total Unavoidable Cost Pressures	10,015
New Investment & Service Demand Changes		
13	Increase police officers by 215 in 2019/20 - incl. support and non-pay costs	7,757
		Operational officers and staff is £6.9m. Support and non-pay is £0.8m. Includes higher police officer pension costs.
15	Increase in forensic contract, body worn video for Special Constables, investment in Roads Policing infrastructure & Data Analytics	714
		£214k for forensic contract, £100k for body worn video, £300k for Roads Policing infrastructure and £100k for Data Analytics
16	Investment in Summer Demand and Bank Holiday demand	750
		£0.5m investment for Summer Demand and £250k for Bank Holiday (vulnerable victims)
17	Cyber dogs, Police Cadets, IT equipment	25
		Includes £11k for IT equipment for Information Security Officers
18	Increases of less than £10k on non-pay budgets	167
		Increase in 25 budgets of £10k or less. Includes increases for traffic sign equipment, purchase of police dogs, custody related expenses and training costs.
19	Service demand changes	1,035
		Includes investment in Estates Service restructure, increase fuel from additional mileage & additional forensics.
20	New revenue investment	2,413
		Includes investment in Body Worn Video, the IT network, Force Control Room and partnership activity.
21	DCC's operational budget	200
		Investment in providing an operational budget for the Deputy Chief Constable to fund as hoc activity/operations arising during the year.
22	Local Policing initiatives	250
		Investment in providing funding for local policing initiatives arising during the year.
23	Capital Programme (Approved) - Revenue Consequences	28
		Additional funding for projects in the approved capital programme.
24	Capital Programme (Proposed) - Revenue Consequences	324
		Based on 75% of proposed bids in the capital programme
25	Full year costs of the additional 150 police officers in 2018/19	1,261
		Police officers were increased to 3,000 FTE's in 2018/19. The 2018/19 budget was increased by £5m.
26	Full year non-pay costs of the additional 150 police officers in 2018/19	321
		Costs for IT, uniforms and travelling.
27	2019/20 growth approved as part of 2018/19 budget setting	338
		Includes investment in Specials and revenue consequences of the capital programme
28	Total New Investment & Service Demand Changes	15,583

Appendix A continued

One-off Activity		
29	Increase police officers by 215 in 2019/20 - including support and non-pay costs - One-off	430 Set up costs for investment in additional officers
31	Investment in additional IT equipment for ISO's, IO's and PIP2 officers.	600 Information Security Officers (ISO's), Investigating Officers (IO's) and Professionalising Investigation Programme Officers (PIP2).
32	Data Analytics - One-off	400 Investment IT systems for Data Analytics
33	Cyber dogs and Police Cadets	40 Two dogs and expansion of Police Cadets scheme
33a	PEQF set up	218 Set up costs for Policing Education Qualification Framework. Commences January 2020
34	Capital Programme (Approved) - One-off revenue costs	160 Additional funding for projects in the approved capital programme.
35	Capital Programme (Proposed) - One-off revenue costs	641 Based on 75% of proposed bids in the capital programme
36	Operational and Support Contractual and Legal cost pressures - One-off	416 Includes additional funding for motor insurance
37	Service demand changes - One-off	141 Includes cyclical reduction in income for firearms certificates
38	New revenue investment - one-off	1,692 Includes 7Forces, ECFRS and Athena collaboration
39	Activity funded from earmarked reserves - one-off	179 Severance and relocation costs for force restructures
40	Activity funded from the General Reserve - one-off	348 Investment for the delivery of the Estates Strategy
41	One-off savings for ITS application support	(100)
42	2019/20 One-off projects agreed at 2018/19 Budget Setting - one-off	254 Funding includes £237k for support to deliver Estates Strategy
43	Overall reduction in one-off funding for implementation delays	(445) General overall reduction to be managed during 2019/20
44	Total One-off Activity	4,974
Funding from Reserves - One-off		
Transfer from earmarked reserves		
45	Transfer from Redundancy and Relocation Reserve	(179) Reserve funding for the severance and relocation costs for force restructures
46	Total Transfer from earmarked reserves	(179)
Transfer from the General Reserve		
47	Transfer from the General Reserve	(348) Reserve funding for investment in the delivery of the Estates Strategy
48	Total Transfer from the General Reserve	(348)
49	Total one-off activity	4,795
50	One-off costs funded by permanent budget for one-off activity (includes transfers to reserves)	(2,866) Removal of one-off activity budget, included in opening budget.
51	One-off expenditure above / (below) the £2.8m funding for one-off activity	1,581 One-off activity above the funding available for one-off budget
52	2019/20 Budget requirement before Strategic Change Savings	305,293
Source of Funding		
53	HO Core Police Grant	103,551 2018/19 & 2017/18 £101.347m (2016/17 £102.783m)
54	HO formula Grant (ex DCLG grant)	56,231 2018/19 & 2017/18 £55.149m (2016/17 £55.933m)
55	Council Tax Freeze Grant (2011/12)	2,133 2018//19 & 2017/18 £2.133m (2016/17 £2.133m)
56	Council Tax Support Grant	10,992 2018/19 & 2017/18 £10.992m (2016/17 £10.992m)
57	HO Pension Grant	2,892 New grant in 2019/20 to assist in funding 6.8% in police officer employers pension contribution.
58	Council Tax precept	123,134 2018/19 £106.246m (2017/18 £97.424m). Based on taxbase growth of 1.52% & 14.16% precept increase.
59	Collection Fund surplus	1,545 2018/19 £1.562m (2017/18 £1.902m, 2016/17 £1.794m)
60	2019/20 Total Funding	300,478 2018/19 £277.429 (2017/18 £268.946m, 2016/17 £266.279m).
61	Surplus / (deficit) - before Strategic Change Savings and Efficiencies	(4,815) Based on precept increase of 14.16% (£23.94)
FUNDED BY:		
Strategic Change Savings and Efficiencies in 2019/20		
62	Strategic Change Programme - Essex Savings & Efficiencies	(1,829) Includes £1.0m from increasing the police staff vacancy factor from 4.25% to 6%, £0.4m from estate disposals and £0.3m for general non-pay savings.
63	Strategic Change Programme - Collaboration Savings & Efficiencies	(2,806) Includes £1.4m from Support Services, £1.2m from Serious Crime Directorate and £0.2m from Operational Policing Command.
64	Strategic Change Programme - Technical inter-year changes	(117)
65	Total Strategic Change Savings and Efficiencies in 2019/20	(4,752)
66	Strategic Change Programme - Overachievement of prior years savings	(63) Net position of underachievement of £26k savings from 2016/17 and overachievement of £89k savings in 2018/19.
67	Total Strategic Change Savings and Efficiencies in 2019/20	(4,815)
68	Annual (Shortfall) /Surplus after achieving Strategic Change Savings and Efficiencies	0
69	Council Tax Band D (2018/19 £169.02)	£192.96 Based on precept increase of 14.16% (£23.94)
70	CT Increase % (2018/19 7.62%)	14.16%
71	Increased cost to Band D property/pa (2018/19 £11.97)	£23.94
72	Additional income generated from precept increase	£15.28m
73	Additional Weekly Cost (2018/19 23 pence)	£0.46
74	Tax base - number of properties (2018/19 0.628m)	638,134

Police Officer Growth Plan 2019/20

Line Ref		Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20		
1	Previous Month End Strength	3,038	3,018	2,996	3,050	3,028	3,086	3,129	3,187	3,165	3,143	3,201	3,179	3,237		
2	Leavers	(20)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(264)	
3	Joiners	0	0	76	0	80	65	80	0	0	80	0	80	0	461	
4	Strength at end of month	3,018	2,996	3,050	3,028	3,086	3,129	3,187	3,165	3,143	3,201	3,179	3,237	3,215	3,135	Average Strength
5	Target	3,000	3,215	3,215	3,215	3,215	3,215	3,215	3,215	3,215	3,215	3,215	3,215	3,215		
6	Variance	18	(219)	(165)	(187)	(129)	(86)	(28)	(50)	(72)	(14)	(36)	22	0		
7	% Variance	0.6%	(6.8%)	(5.1%)	(5.8%)	(4.0%)	(2.7%)	(0.9%)	(1.6%)	(2.2%)	(0.4%)	(1.1%)	0.7%	0.0%		

Note 1: This table facilitates a financial profile that has been used for costing purposes. The actual profile of the recruitment of new officers is yet to be determined as the pattern of recruitment is complex and a more detailed analysis is to be completed over the coming weeks. This will take into account variables including but not limited to the ability to attract, select and undertake vetting of suitable candidate as well as the forces capacity to provide the mandatory training.

Supporting Financial Documents

Setting a budget is complex and it is important to provide transparency in relation to the various elements that comprise the budget. I have therefore attached a number of appendices that cover specific aspects of the budget and each one then breaks down the detail financial information. The appendices are:-

- A1 = MTFS Summary
- A2 = MTFS Detail
- B = 2019/20 Budget Overview – Chief Constable’s Proposal
- B2 = 2019/20 Budget Summary – Chief Constable’s Proposal
- C = 2019/20 Pay Budget Breakdown
- D = 2019/20 Contractual and Legal Cost Pressures
- E = 2019/20 Service Demand Changes Needed to Address Challenges
- F = 2019/20 New Revenue Investment
- G = 2019/20 Revenue Budget Change funded from Reserves
- H = 2019/20 Precept Investment (excluding officers and staff)
- I = 2019/20 Non-Pay Savings and Efficiency
- J = 2019/20 Cashable and Non-cashable Savings
- K = 2019/20 Savings and Efficiency Plan
- L = Reserves Overview
- M = Capital Resources and Expenditure Forecast 2018/19 to 2023/24
- N = Capital Programme - Approved Projects
- O = Capital Programme - Projects Subject to Approval
- P = Capital Programme - Revenue Consequences
- Q = 2019/20 Budget - Subjective Analysis (to follow after CFO & Treasurer meeting post 9th January)