

**EPA/23/12**

**Meeting:** Police Authority / Finance & Audit Committee

**Date:** 13 February 2012

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**Proposal for the formation of a National Police Air Service (NPAS)**

Report of the Chief Constable and Treasurer

Contact: Paul Marrion, Aviation Manager

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**1.0 Purpose of Report**

1.1 To seek approval to the proposal for the formation of the National Police Air Service (NPAS); the transfer of Essex Police staff, equipment and capital assets and the redirection of revenue funding to NPAS in September 2012 in return for provision of all future air support services to Essex Police.

**2.0 Recommendations**

2.1 That Members support and accept the NPAS proposal (option 3) in principle with the transfer of staff, assets and revenue funding to NPAS from 1<sup>st</sup> September 2012, subject to the following minimum, conditions:

- i) clarification of the capital programme implications of the move to NPAS and the market value of the helicopter and equipment which should be available at this meeting;
- ii) clarification of the accounting treatment of the annual £300k capital contribution and its impact on the Authority's budget;

2.2 Members are requested to give delegated authority to the Chairman, the acting Chief Executive and Treasurer and the DFA to complete this work.

**Charles Garbett**  
**Acting Chief Executive**  
**Essex Police Authority**

**Chief Constable**  
**Jim Barker-McCardle**  
**Essex Police**

**3.0 Background**

- 3.1 Members considered a report on this proposal at the last meeting on 5th December 2011 (EPA/181/11). It was felt that there remained insufficient detailed information available to approve the proposal and it was agreed that a number of specific questions must be answered prior to any further papers being produced and presented to the Authority. Those questions have now been answered by the NPAS Project Team and are included in this paper.
- 3.2 The current NPAS proposal is the culmination of the project which has been live since 2008. The initial review of Police Air Operations identified that the current system was inefficient and made recommendations to change to a new and reduced model under national control which proposed a national model, managed regionally for local delivery of services, producing an effective operational model at a reduced cost for all participating forces and was the enabler for the NPAS project. The initial proposal to operate a reduced national system comprising of twenty bases, twenty three aircraft with three spare aircraft was approved at Chief Constables' Council in October 2010. This approval has been followed by a period of review, calculation and negotiations leading to the current proposal. On 21<sup>st</sup> October 2011 at Chief Constables Council, Chief Constables showed continued support for the project.
- 3.3 The proposal recommends that the NPAS commences some operations on 1<sup>st</sup> April 2012 utilising a lead force model of West Yorkshire Police with details due to be finalised in January 2012. In a revised proposal the NPAS main launch will be postponed until 1<sup>st</sup> October 2012 with no transfer of staff or assets to take place prior to September. The reason for the delay is explained as due to ongoing discussions with the Civil Aviation Authority, to enable clarification and revision of some financial data and to allow adequate time for the due diligence exercise regarding the Lead Force model.
- 3.4 NPAS now recommends that the South East Region comprising Norfolk, Suffolk, Cambridgeshire, Essex, Kent, Surrey, Sussex, Hampshire, Thames Valley, Hertfordshire and Bedfordshire together with the Central Region comprising Staffordshire, West Mercia, West Midlands, Leicestershire, Northamptonshire, Warwickshire, Lincolnshire, Derbyshire and Nottinghamshire transfer to NPAS control in September 2012.
- 3.5 It is also likely that a Northern Region will migrate to NPAS at this time however confirmation is awaited.
- 3.6 Currently thirty seven Police Authorities have agreed to sign up to the NPAS model, five are yet to decide and one has declined (South Yorkshire) although work is ongoing in an attempt to reverse this decision. The South Yorkshire issue surrounds the level of operational service available to Sheffield and has no reference to funding. A number of alternative options are being discussed and the Project Team remains confident that the matter will be successfully resolved.

## **4.0 Proposal to adopt the NPAS model**

### ***Summary of Proposal***

- 4.1 The proposal requires the transfer of Essex Police staff, equipment, capital assets, leased and owned premises to NPAS together with agreement to provide revenue funding to NPAS at the proposed levels now from 1<sup>st</sup> October 2012.
- 4.2 In summary the main points of the proposal are as follows:
- i) The National Police Air Service will still commence some joint Command and Control operations on 1<sup>st</sup> April 2012 but not under the 'lead force' model.
  - ii) The proposal is reliant upon both Chief Constables and Police Authorities agreeing to underwrite the proposal through the transfer of staff, equipment and assets
  - iii) Under this proposal Essex Police will transfer such resources and funding to NPAS from 1<sup>st</sup> October 2012 as part of the South East Region and would become one of the first two regions to migrate to the NPAS.
  - iv) In return the proposal immediately offers Essex Police an enhanced level of air operations service at a guaranteed reduced cost for the foreseeable future.

### ***Detailed service, financial and resource implications***

#### ***Service implications***

- 4.3 The level of service supplied to Essex Police will be enhanced by the following:-
- a) Availability to air operations services 24 hours per day 365 days per year.
  - b) Availability to air operations services when the current Essex aircraft is off line due to maintenance via the provision of a spare aircraft at no additional cost.
  - c) Availability of air operations services from additional aircraft both within and outside the South East Region in the event of a major incident or event at no additional cost.
  - d) A borderless tasking model, currently in development, to provide a single point of contact control room to task, deploy and flight follow all police aircraft within the fleet. The model will use a national control centre based at either West Yorkshire or Kent Police control rooms. Whilst despatch and flight following will be undertaken by the national control centre, aircraft will continue to communicate with local control rooms and ground resources once on scene, in order to facilitate the local delivery of the service. Advantages of this system will include the ability of the national

control centre to deploy immediately the nearest or best equipped resource for a particular incident or event.

- e) The service will be delivered via a national user requirement and clear deployment criteria, which has been developed to provide consistency on the role, remit and purpose of police air operations. A Service Level Agreement is being produced prior to the commencement of service, detailing how all facets of the user requirement will be met.

4.4 The NPAS proposal details that the current Essex aircraft should eventually relocate to a new base along the northern Thames corridor. NPAS have stated that capital funding would be made available to further this requirement. Initial discussions have been held with Southend Airport Managers indicate that any such move will not be immediate. The operational implications of remaining at Boreham Airfield for the short to medium term are small in terms of the service delivery model for NPAS and a new 5 year lease for the Boreham site is in place from April 2012. The current levels of service delivery to Essex, Kent and surrounding forces will remain 'as is' for the immediate future. The impact of a future relocation is as follows:

4.5 A base relocation to Southend would move deployments 8 minutes flying time south of our current base. This effectively places the base perfectly for tasking along the Thames Corridor on both sides of the river, in which population density is at it highest anywhere in the counties of Essex and Kent. Around 70% of current tasking takes place along the Thames corridor, supporting the existing collaborative agreement with Kent. Relocation to Southend under NPAS would enable response times to this area to be improved (compared to the current model) but effectively remove county boundaries. The NPAS model would dictate that the Suffolk (based) aircraft would often be tasked with incidents in the north of Essex. If based at Southend, our response time to incidents in the north of Essex will be extended 8 minutes maximum however residents of Essex would receive air support from whichever aircraft or base is nearest. The NPAS model (Southend and Honington bases) provides a 20 minute maximum response time to 100% of the population of Essex.

4.6 The recently negotiated a five year extension to the lease at the ASU Boreham Airfield site can, in the event of migration to the NPAS, be novated to the new organisation.

### ***Financial implications***

4.7 Current revenue costs for the delivery of air support services to Essex Police are **£1.482m** per annum, the NPAS project guarantees a 15% percentage reduction to this cost commencing in the financial year 2012/13 making the expected revenue charge **£1.260m**. There will also be an annual capital payment of **£0.260m** which is partially offset in 2012/13 by a one off capital credit of **£0.240m** which will be reduced to **£0.120m** by the postponed start. Work is currently being undertaken to look at two alternative methods of capital funding. The current market value of the helicopter and equipment will be available at this meeting.

- 4.8 An alternative capital 'top slicing' model will spread the cost of replacement airframes over all forces instead of the original model where only those currently owning aircraft would have been charged. This has the effect of reducing the capital costs to Essex by an average of **£0.146m** per year over the next three years. This model is currently awaiting the results of consultation with all forces.
- 4.9 A further model under discussion will look at the potential to leave the ownership of airframes with individual forces until the end of their police operational lives. During the period of NPAS use NPAS will meet all costs of operating the aircraft and then reimburse forces the whole capital value of the asset when removed from service. It is difficult to estimate what that value would be in 2018 when the Essex aircraft is due for replacement. It will however likely be substantially more than the **£0.240m** as offered under the original scheme.
- 4.10 The initially proposed NPAS reduced cost financial model is based on the removal of surplus aircraft, bases and staff from the national fleet and sharing the saving across all forces. This does not change on the adoption of one or both of the above capital finance changes.
- 4.11 An improved long term financial model will be implemented from April 2015 and is likely to be based on the national funding formula which is anticipated to reduce further costs of forces who currently own aircraft.
- 4.12 Due to the benefits of shared services for pilotage, maintenance, management and service delivery it can be seen that Essex Police has in reality been benefiting from the NPAS style of service for several years by keeping costs down through the shared service model. NPAS main benefits to Essex Police will be through the ongoing enhanced service delivery and reduction in spend for a replacement aircraft.
- 4.13 Additional benefits will become increasingly available to Essex Police through the ongoing development of the NPAS model. The availability of fixed wing surveillance aircraft and the ongoing development of Unmanned Aerial Vehicles (UAVs) where some services could be delivered at a fraction of existing costs. For example, aerial support to the V concerts could be effectively provided for the entire duration of the event utilising a UAV with down linked camera systems to ground Commanders. This technology already exists and is in the process of certification with the Civil Aviation Authorities.
- 4.14 The NPAS project team has already secured funding to upgrade the analogue down linking system to a new secure digital aircraft and ground station system compatible with all forces, the Essex aircraft will be one of the first to be upgraded once the Essex migration to NPAS is complete.
- 4.15 The NPAS Project Team has contracted an experienced HR and TUPE lead. Essex Police is representing the Eastern Region on the NPAS HR work stream and therefore well informed on the processes being developed. It is confirmed however that the host force will be responsible for dealing with any related technical measures including TUPE or Redundancy issues. The NPAS funding model has accounted for any such costs where they are necessary. Therefore once migration to NPAS is made no additional costs can fall upon Essex Police.

4.16 In the event that West Yorkshire Police decline to undertake the 'Lead Force' role following their due diligence process, the Metropolitan Police Commissioner Bernard Hogan Howe has stated that the Metropolitan Police would be willing too undertake the role.

## **5.0. Options**

### **5.1 Option 1**

Remain outside of the National Police Air Service arrangements.

### **5.2 Option 2**

Agree to enter the National Police Air Service arrangements and in doing so accept the current terms and conditions as understood.

### **5.3 Option 3**

Agree to enter the National Police Air Service arrangements in principle, subject to further clarification of financial matters and of the proposed 'Lead Force' arrangements.

### **5.4 Option 1 Advantages**

5.5 Essex Police retains control of its air support function both operationally and financially.

5.6 Some potential for income by allowing the Essex aircraft to be utilised to provide mutual aid to NPAS forces although given the self supportive nature of the NPAS model these opportunities may be minimal.

### **5.7 Option 1 Disadvantages**

5.8 As Kent Police have already committed to the NPAS model Essex Police would lose the residual income from the Kent service provision of approximately **£0.200m**.

5.9 Essex Police would not benefit from the NPAS first year capital credit of **£0.240m**.

5.10 Essex Police would be exposed to additional costs in relation to redundancy of Pilots and Engineers as surplus numbers would be employed to facilitate a single aircraft operation as Cambridgeshire, Suffolk and Norfolk Constabularies have agreed to enter NPAS in principle. Essex Police would be exposed to risk to increased costs for aircraft maintenance and Pilotage arrangements if it became necessary to contract in the whole or part of some services.

5.11 In order to limit any such increases as at 5.10 above a large reduction in hours of availability will likely be needed thereby reducing substantially the operational response available.

- 5.12 Essex Police would be exposed to the full cost of any whole or part aircraft replacement programme as the Home Office have indicated they will no longer support Capital Grant Funding for Air Support to non NPAS forces. It is likely that the current Essex aircraft could remain in service until 2018 but would require some role equipment upgrade with costs of such estimated at **£1.2m**.
- 5.13 Essex Police would be exposed to the full cost of any future base relocation when the current base becomes unavailable due to land development contracts. This is currently estimated to be in or around 2016. The cost of a full base relocation excluding the cost of land purchase or lease is currently estimated to be circa **£1.4m** based on the costs for the Honington base relocation project.
- 5.14 Additional costs could be incurred if it were necessary to hire in a spare aircraft during scheduled servicing of the Essex aircraft or if no hire arrangement was required the cost of mutual aid arrangements from neighbouring NPAS forces.
- 5.15 Essex Police would lose the shared cost reductions currently enjoyed under air support consortium agreement in relation to Police Air Operators Certification and management structures. There is a further risk that, as our partner forces are following ACPO and Home Office guidance in committing to NPAS, any subsequent cost sharing arrangements within the consortium agreement around dissolution of the consortium would not actually be met as shared costs, leaving Essex Police to fund any redundancy requirements.
- 5.16 **Option 1 Recommendation.**
- 5.17 Given the operational and financial implications of operating an aircraft, purchasing and basing of future aircraft outside of the NPAS model this option is not recommended.
- 5.18 **Option 2 Advantages**
- 5.19 Essex Police will benefit from increased operational coverage via the NPAS service delivery model during current non operational hours (0400 to 0830) and via the inclusion of a spare aircraft based in Essex during scheduled maintenance downtimes.
- 5.20 Essex Police will benefit from ongoing revenue financial savings due to the reduced fleet, staff and bases model with reduced management costs and centralised tasking.
- 5.21 Essex Police will not be exposed to future 'one off' capital costs of replacement aircraft, role equipment upgrades or base relocations.
- 5.22 Early entry into the NPAS model will allow Essex Police and the Eastern region as a whole to continue to influence the delivery of the national service.
- 5.23 Essex Police will benefit from the availability of fixed wing services at no additional cost. These services are currently unavailable to Essex Police.

5.24 Essex Police will additionally benefit from future project developments such as unmanned aerial platforms able to provide surveillance and photographic services at much reduced costs. These services are planned by NPAS and are to be offered at no additional cost. Such development is actually anticipated to drive overall costs down overtime.

#### 5.25 **Option 2 Disadvantages**

5.26 Essex Police Authority concerns regarding the financial risk are not adequately addressed.

5.27 Concerns regarding the 'Lead Force' arrangements with West Yorkshire Police are not adequately addressed.

#### 5.28 **Option 2 Capital implications**

5.29 There are two main capital considerations under option 2

##### Transfer of the existing aircraft

5.30 Under the proposals the force's existing aircraft will transfer to NPAS. Where aircraft have been owned by forces for less than 10 years, such as Essex, the force will receive a credit in recognition of their contribution to their asset. The credit is calculated from the original purchase price less the Home Office grant allocated towards the initial purchase. This value is then written down equally over a 10 year period. NPAS have advised that on this basis the assumed value of the Essex Police aircraft at 1 April 2012 is **£240,000** reducing to **£120,000** at 1<sup>st</sup> October 2012.

5.31 By comparison, it should be noted that the carrying value of the aircraft in the Authority's accounts at 1 April 2012 is forecast to be **£691,000**. The reasons for the difference are that the aircraft was revalued upwards in 2008/09, and the carrying value includes role equipment on the aircraft, which is not included in the NPAS assessment.

5.32 It is believed also that the market value of the aircraft actually exceeds the current carrying value, although the force has not commissioned a formal valuation ahead of the possible transfer. In the absence of the formation of NPAS the next revaluation of the aircraft would be due in 2012/13.

5.33 The above simple analysis suggests that the transfer value of the aircraft is understated. However, it is understood that the NPAS calculations are predicated on their assessment of their capital value of force aircraft and any increase in those could led to higher recharges to forces.

5.34 Recent discussions with Eurocopter UK regarding current aircraft values indicate that there is currently little or no market for police role equipped aircraft worldwide due to the recession. There is a marginally improved outlook for a private sale of the asset however it should be noted that the removal of the role equipment, much of which is now dated, would be costly with only partial recovery of cost of equipment sold as spares. There would be further costs in order to place the aircraft in a saleable condition for the corporate market. Whilst

these costs can only be estimated they will be several hundred thousand pounds. It can therefore be reasoned that the undervaluation in 5.33 above is mitigated to the actual £691,000 as shown at 5.31 above, in order to reflect a true valuation of the airframes worth.

#### Contribution towards future capital expenditure

- 5.35 Under the initial NPAS proposals, forces like Essex that currently operate an aircraft are required to make an annual contribution to NPAS towards the capital costs of asset replacement.
- 5.36 This contribution is based on the amount of capital NPAS have estimated that forces would need to set aside on an annual basis to replace their aircraft. The estimate is based on a 2012 price for the force's existing aircraft reduced by 40%, which is equivalent to the Home Office grant that would have been available prior to the introduction of NPAS. The remaining 60% cost has then been spread equally across ten years, which has been the traditional replacement cycle for these assets.
- 5.37 NPAS advise the cost of this for Essex would be **£260,000** pa, which could be accounted for as capital. The force has not budgeted for the aircraft replacement through setting aside amounts annually on the basis assumed by NPAS and this, therefore, represents a new cost. There has been no planned date for replacement of the force's existing aircraft. Funding a future purchase, however, would be from existing capital resources together with the proceeds from disposal of the existing aircraft. The annual cost is however revised down under the proposed alternative capital arrangements as described at 4.8 and 4.9 above.
- 5.38 To put the proposed annual contribution into context, the cost of a new role equipped aircraft is estimated to be **£5 million**. Assuming a Home Office grant of 40% towards the cost, would leave the force having to fund **£3 million**. Using the NPAS approach of financing over 10 years, would require **£300,000** pa towards a replacement fund.
- 5.39 **Option 2 Recommendations**
- 5.40 Whilst Option 2 is recommended as a appropriate way forward for the long term delivery of air support services to Essex Police the concerns previously raised by Essex Police Authority Members are recognised. As it is not currently possible to adequately answer the concerns as raised this option is not recommended at this time.
- 5.41 **Option 3 Advantages**
- 5.42 The advantages of Option 2 remain and in addition:
- 5.43 Essex Police Authority Members are able to agree to Essex Police being included in the NPAS provisional finance model subject to the caveats, thereby enabling the later revision of both 'Financial' and 'Lead Force' arrangements to ensure they meet the Authority's strict requirements.

#### **5.44 Option 3 Disadvantages**

5.45 Providing the requirements of the Authority's caveats are reached by NPAS there are no disadvantages currently identified.

#### **5.46 Option 3 Capital implications**

5.47 These are as option 2.

#### **5.48 Option 3 Recommendations**

5.49 Option 3 is the recommended course of action.

### **6.0 Resource Implications**

6.1. The NPAS proposal is now clearer on resourcing with the following now understood to be preferred outcome;

- i) Police Staff resources will transfer, via TUPE, to the Lead Force.
- ii) Police Officers will be seconded to the Lead Force.
- iii) It is anticipated some police staff redundancies would be made and it is indicated by NPAS that any such redundancies would be most likely at the conclusion of the project in summer 2013. Under TUPE legislation the new, Lead Force, employer is responsible for implementing and funding any redundancy or relocation costs for affected staff. The costs of such are included in the NPAS funding model.
- iv) Essex Police as the employer of the consortium pilots and engineers will off set risk by accepting the NPAS model and TUPE transfers of its staff.

### **7.0 General Benefits to Essex Police**

7.1. The main benefits to Essex Police will be as follows:-

- a) Access to 24/7/365 air operations services,
- b) Availability of spare aircraft during scheduled maintenance down time increasing response capability locally by at least 8%.
- c) Immediate access to additional aircraft, equipment and resources in response to major incidents or events.
- d) Potential for further savings through future collaboration with publicly funded partners already operating air assets at a national level.
- e) The NPAS model will bring additional benefits of access to fixed wing aircraft for specific police purpose plus in the longer term the usage of unmanned aerial systems. The development, introduction and use of both fixed wing and

unmanned aerial systems is inclusive of the NPAS budgeted cost to Essex Police.

- f) The introduction of a single point of contact control system for police aircraft will allow the operational successes and efficiencies evidenced as part of the Borderless II trial to be emulated across the country. Work is ongoing to develop the Command and Control model and the NPAS work stream responsible is confident of putting the system in place by September 2012.
- g) Early migration to the NPAS model will allow Essex Police to remain at the forefront of development of future service provision; those forces migrating later in the process may find developmental opportunities less easily available.

## **8.0 Risk to Essex Police**

A risk assessment document is attached.

## **8.0 Additional information**

- 8.1 The proposal is seeking the support of Police Authorities as soon as possible in order to launch by 1<sup>st</sup> October 2012.
- 8.2 The NPAS proposal is specific concerning the 1<sup>st</sup> October 2012 start date and the project team are confident of this revised time frame. Whilst there remain a number of issues to resolve the project team is well supported by the necessary staff skilled in HR, Finance and Procurement, with good progress now being made in these key areas.
- 8.3 Some services will be put into place in April 2012 these will however be focused around regional improvements to existing operational services to cope with the planned closure of some units.
- 8.4 The NPAS proposal makes clear that the full benefits as identified under the NPAS model will only be achieved if all police forces and police authorities sign up to the proposal and the NPAS costs as currently presented are presented on that basis. Should some forces decline to migrate to the NPAS model then the NPAS costs will be affected for some forces. This does not necessarily mean a more expensive cost to Essex Police as the withdrawal of some forces depending on their current air support delivery costs could further reduce the NPAS costs. However in order to accurately provide detailed future financial information the NPAS Project Team need to know how many Police Authorities approve in principle to commitment to the National Service.