

10 September 2015

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Dear Ziggy

Consultation on Reform of Police Funding arrangements in England and Wales

This submission represents the collective views of Chief Constables in England and Wales as part of the National Police Chiefs' Council.

Over the last five years policing, and indeed all public services, has been dominated by austerity cuts. We are realistic to know that this is set to continue for another four years. Chief Constables are therefore acutely aware of the impact of funding on the services that they deliver.

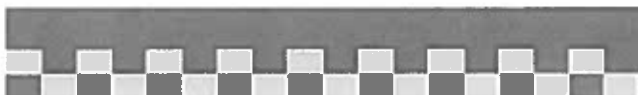
Chief Constables, working with Police and Crime Commissioners have an excellent record of delivery against severe austerity reductions. We have made substantial savings but still delivered reductions in crime and improvements in confidence. There is no guarantee that this can continue.

We want to plan responsibly for the future and this involves having a clear idea of what funding may look like and how it will be distributed. Above all we need to be reassured that the ever more limited funding that we receive is allocated in as fair and transparent a way as possible.

We believe that this consultation is of fundamental importance to the future financial stability of many forces. This has never been more the case, when policing is looking at grant cuts of some 25% to 40%. Indeed the proposals suggest that some forces could stand to lose up to a further 20% of grant on top of this as well.

We want to engage with Government on the best way to do this and have already fed in our early thoughts on changing the existing funding formula. We are therefore disappointed that this consultation is totally inadequate for something that has such a big impact on our future funding. In short:

- **The consultation is rushed** - we are concerned that the Home Office is seeking to consult in less than the normal 8 week consultation period, which is made even worse during the summer holiday period.
- **The data to support the consultation is inadequate** – there are no exemplifications that set out how the models may work in practice
- **The methodology is unclear** – in all too many cases change is put forward with little to no explanation about how the alternative will work.
- **The review does not cover precept funding** – which accounts for between 15% and 54% of each force's funding. There is no mention in the consultation about greater flexibility in precept setting.



Unfortunately this all too easily creates the impression that we cannot be trusted with the level of detail and we will only respond to the consultation based on whether a particular exemplification helps or hinders a particular force.

We know that there is never going to be a perfect funding formula and there will always be winners or losers with any change of funding allocation. It is still important that any method of grant allocation has the confidence and support of forces even if there is no "perfect" solution. We believe the current consultation has severely dented any confidence that we have that the alternative method of allocation will be any better than the previous one.

We are also disappointed that the promised review of police funding has in effect become a review of police grant allocations. One of the biggest funding issues for the police service is the imbalance of precept funding between forces. This was highlighted in the recent National Audit Office Study which set out how this resulted in significant variations in budget cuts from one force to another depending on their level of grant reliance.

We are now in a position, where residents in one area can pay less than half the residents pay in another area in a similar property for their police service. This difference cannot be explained by service variations but is down to historic precept decisions that Police and Crime Commissioners have little opportunity to reverse. We are surprised and disappointed that the consultation does not seek views on the need for greater flexibility in setting precept levels for those forces with the lowest precepts.

We can only echo the grave concerns expressed by the Police and Crime Commissioners Treasurers Society concerning the inadequacies of the current consultation process. Along with them, we want to engage with the Home Office to find a solution to the issue of funding allocations that forces can sign up to. This consultation however creates the impression that the new method of grant allocation will be imposed on forces rather than working with them to find a fair solution to this problem.

Notwithstanding all of the above, we have still tried as best we can to respond to the issues raised by the consultation. Although we are responding with a far from perfect knowledge of the change that the Home Office is putting forward, we still feel it is important to set out our views on an issue as important as this one.

1. To what extent do you agree or disagree that current funding arrangements for the police in England and Wales need to be reformed?

Agree

In its previous submission, ACPO/NPCC favoured a more measured approach with changes made to the existing formula rather than introducing a completely new formula.

In particular the NPCC emphasised the need to:

- update the data used within the existing formula. For example census data used in the formula is now some 15 years out of date.
- review transitional arrangements to implement formula changes. Allocations are still largely based on historic allocations of more than 15 years ago as a result of continued damping arrangements.

2. To what extent do you agree or disagree that as part of the simplification of funding arrangements, legacy council tax grants should be consolidated with Police Main Grant?

Disagree

Without the exemplifications of the new funding formula it is difficult for us to assess the national impact of these changes.

We note that building council tax freeze grants into the main grant, will automatically create a degree of unfairness to those forces who have accepted the grant rather than increase their precept. This will certainly create far less incentive for forces to accept a freeze grant in the future, if it is then taken away and redistributed to all other forces, including those, who have increased their precept.

We note that the other main legacy council tax grant was calculated on an individual basis for each force. Bringing this into the main formula will automatically create a degree of unfairness as the new formula is unlikely to match the more detailed analysis carried out to distribute this grant originally.

3. To what extent do you agree or disagree with the principles of a good funding model that the Government has identified?

Agree

The NPCC agrees that the principles set out are sound in theory but in practice a number of the principles will conflict with one another.

A robust and future proof formula will require a considerable amount of data not only to reflect crime demands on police but a whole range of other public protection demands facing the service. It stands to reason that a formula that takes into account this complexity is difficult to be transparent.

It is hard to imagine how a **future proof formula** that incentivises **government objectives** can also be **stable**. Government objectives change over time as do the demands on the police service, this contradicts the principle of having a stable formula.

There is certainly not enough information within the consultation to determine which of the three models, if any, best meets these principles.

4. What other principles for a good funding model, if any, should be considered?

We believe that the principles also need to mention transition i.e.

Threat, Harm and Risk Vulnerability – all police work is assessed against threat harm and risk and it would be sensible for this to be included as one of the principles.

Transition – there should be clear, effective and consistent transition arrangements that enable the movement from one formula to another.

Up to date – there should be a commitment to update data at least every 3 years to ensure that the data within the model does not become out of date as has happened with the current model.

Objective – the formula should not be subject to arbitrary manipulation. For example, we are concerned about the way in which the weightings between service blocks have been determined and applied within both the existing formula and alternatives set out within this paper.

Certainty – there is no indication whether the Government intends to provide 4 year CSR funding settlements to give forces the certainty that they need to plan during these tough financial times.

Universality – the grant mechanism should apply to all forces from the Metropolitan Police down to the smallest shire force.

5. To what extent do you agree or disagree that the existing funding method should not be used to allocate police funding in the future?

Agree

As we understand it, the existing funding model cannot be used to distribute funding in the future on the basis that the model has not been run for at least 2 years and that some of the data used to run the model may no longer be available.

There will be a limit to how long the Home Office can base future allocation on a purely percentage variation from the previous year's level of grant without taking any account of any changes to demographic or social factors.

6. If you disagree, please state why. If applicable, please provide evidence and/or details of sources of data which may help support this.

Please see above.

7. To what extent do you agree or disagree with the Government's conclusion that an upgraded PAF should not be used to allocate police funding?

Neither agree nor disagree

The consultation paper contains insufficient information for the NPCC to conclude that an upgraded PAF should not be used.

In our view the main failings of the existing PAF are:

- The base data within the PAF has not been upgraded for a number of years – some data is up to 15 years out of date.
- The transition arrangements have led to a loss of confidence in the PAF as it has never been fully implemented.

This does not necessarily mean that it would not be possible to update the existing formula.

8. If you disagree, please state why you think an upgraded PAF should be used. Please provide evidence and/or details of sources of data which may help support this.

It is worth noting the benefits of the existing PAF i.e. that:

- It is a detailed formula.
- Has not been subject to wide variations.
- It is recognisable to forces that have received allocations based on the formula.

9. To what extent do you agree or disagree with the methodology behind a simplified model?

There is insufficient information within the consultation document to form a view about the methodology used within the model. It appears to be based on a complex statistical tool that is better related to a scenario where all the data sets are known, which is far from the case in the example given within the consultation.

We are also concerned that the formula may be oversimplified as it appears to attempt the level of crime based demand when this accounts for only a quarter of all police demand. There is no evidence provided within the consultation that non-crime demand correlates strongly with crime demand.

We have no information to consider the justification for the weightings that have been applied within the formula. We are concerned that this is open to interpretation and there is a lack of justification to explain why the individual weightings have been applied.

Equally there is no information about how frequently the data within the formula will be kept up to date. One of the failings of the current formula is that base census data has never been updated. We believe that the data within the formula should not be more than 3 years old.

10. To what extent do you agree or disagree with the indicators that the Government is proposing be included in the simplified model?

We do not have enough information on the indicators within the model to form a definitive view.

We are concerned that some of the indicators within the model may create a perverse incentive for failure as they "reward" forces with hard pressed households.

We are concerned around the stability of the data – with a much more simplified formula there is more opportunity for changes in one variable to have a greater impact on formula allocations.

We are also concerned about the limited amount of data that has been used within the formula and the extent to which it meets the original criteria for a good formula.

The formula only tries to measure one aspect of policing i.e. crime levels, which account for less than a quarter of all police business. We are concerned that there is an inadequate assessment of all other police demand e.g. for protecting the public and the strategic policing requirement.

11. Are there any other indicators that you think should be included within the model?

We believe it is up to the Home Office statisticians to consider what information should be included. Clearly a lot of the non-crime based policing demand is also reflected in other public sector bodies, whose allocation is based on other data. Social Services and Education data may provide a useful source of information on crime and non-crime policing demand. Similarly community mental health data may also be a useful source of information.

The level of policing demand can be heavily influenced by the size of the day-time population. Again the Home Office needs to consider taking into account day visitors and other visitors when assessing relative population levels.

12. To what extent do you agree or disagree that specific non-crime demand should be included in the simplified model?

Agree

Policing is not just about investigating crime but it is also about protecting the public.

The vulnerability of people to crime is at the very heart of what policing is all about. As we all know, the primary purpose of the police is to prevent crime and disorder and protect people, particularly the most defenceless and vulnerable in our society, (Sir Thomas Winsor, Chief HMIC).

This is a significant omission from the formula and means that there is a significant risk that it may not allocate resources fairly. Equally the formula does not take into account the strategic policing requirement across all forces.

As mentioned, previously there is no evidence provided within the consultation that non-crime demand equates to crime demand.

13. If specific non-crime demand were to be included in the simplified model, what indicators do you think should be considered?

We believe it is up to the Home Office statisticians to consider what information should be included but many of the data sets mentioned in our response to question 11 are relevant.

14. To what extent do you agree or disagree that a new funding model should be introduced in time to determine 2016/17 police force-level funding allocations?

We believe that the information provided within the consultation process is inadequate to enable us to be confident about implementing the new formula in 2016/17.

In particular we are concerned about the lack of:

- clear exemplifications.
- detailed background data supporting the calculation of the formula.
- a clear indication of how the various transition arrangements, in particular the “preferred” enabled route will be applied.

Forces already face considerable uncertainty concerning funding levels that could reduce by 25% to 40% over the next CSR period. They will not know the outcome of these reductions until December. Given this we believe it is totally unrealistic to add further changes to grant level in the first year of the CSR period.

**15. If you disagree, when do you think a new model should be introduced?
Before a new model can be introduced many of the omissions outlined at the start of this response must be addressed. There needs to be far more clarity around:**

- Exemplifications – it is totally unacceptable that forces may receive the first exemplifications of the new funding model less than a month before actual final allocations are made for next year 2016/17.
- Methodology – there are considerable gaps in methodology and data that need to be addressed. We understand that there are issues around the bars per hectare and band properties are calculated.
- Transitional arrangements – forces need to have far more information about how these will work and the level of risk in terms of grant loss that they may bear.

16. To what extent do you agree or disagree that the proposed new funding model adequately captures the differences in the ability to generate precept income?

Disagree

We believe that it is important that any new formula takes these differences into account. As we understand it there is some confusion over how the equalisation for band D properties will apply.

17. To what extent do you agree or disagree that it is not appropriate for the proposed new funding model to take into account differences in actual precept levels which have resulted from local decision making?

We believe that there is insufficient information to determine whether or not this is the case.

We absolutely believe that overall police funding should recognise the wide imbalance in precept levels and precept funding as identified by the national audit office. This could be addressed either through the funding formula or by giving Police and Crime Commissioners with the lowest precepts greater flexibility to increase their precept levels. Indeed Welsh forces already have greater flexibility to increase precept than in England.

18. To what extent do you agree or disagree that the Government should enhance the current NICC process?

Unfortunately this is another area of the consultation where the information provided is entirely inadequate.

We know that there are specific policing needs that London fulfils and we agree that there should be a separate mechanism for ensuring that London is funded to enable it to do this. This process however needs to still be consistent with the principles for the more general grant allocations i.e. transparent, stable, robust, future proof and incentivising government objectives.

The consultation fails to set out clearly the purpose of this grant and the additional responsibilities that the grant is intended to cover and indeed how these responsibilities are unique to London and do not apply to other metropolitan forces.

It is also unclear whether the NICC grant for London will remain stable over the CSR period or whether adjustments to the level of NICC grant from one year to the next will further impact on grant levels for individual forces.

The consultation is also unclear about whether this grant is independent of the general grant allocation i.e. the government will determine the level of this grant prior to assessing the amount of funding they will distribute under the general grant allocation model and then run the general grant allocation model.

If the intention is to first run the general allocation model and then adjust for shortfalls in funding for London, then the whole process is flawed. It would be wrong for all other forces to have their allocations affected by the inclusion of London within the funding model, only for the funding for London to be subsequently adjusted.

If the funding model does not cope adequately with the special needs of London, then it is open to question whether:

- (i) The formula is fit for purpose as it does not allocate resources effectively.
- (ii) London is so different to all other forces it should receive a different allocation based on an alternative formula.

Finally, no doubt Metropolitan Forces will wish to make the case that there are aspects of the service they deliver that mirror London and for that reason they should also be eligible for a "top up" payment. One of these areas could relate to their enhanced role in helping to manage the national Counter Terrorism threat.

19. To what extent do you agree or disagree that transitional funding arrangements are necessary to move police forces to their new funding allocations? If you disagree, please state why.

We do not know the full scale of redistribution that any proposed model will create as we have not seen any exemplifications. Nevertheless it is reasonable to expect that a fundamental review will create winners and losers and potential large shifts in grant.

We are most concerned about the impact on forces that stand to lose grant at a time of already significant general grant cuts.

20. How long should the transitional period last? Please explain your answer.

The length of the transitional period will depend on the range of grant gains and losses under the proposed formula. We currently have insufficient information on this.

21. Which of the transitional options should be applied?

Without knowing the scale of gains and losses it would be wrong to select a particular transitional model. We are most concerned with the enabled approach and the lack of objectivity and indeed certainty that this might bring. We echo the comments made by PACCTS concerning reserves (which are mainly committed) and HMIC assessments (which are in their infancy).

22. Which of the below factors should be taken into account when designing a process under Option 3?

Please see 21 above.

23. Are there any other factors that should be taken into consideration under Option 3?

Please see 21 above.

Yours sincerely



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Chief Constable
NPCC Chair