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**Lancashire
Constabulary**

police and communities together

11th September 2015

Rt Hon Keith Vaz MP
Chairman
Home Affairs Committee
House of Commons
London
SW1A 0AA

Dear Mr Vaz,

Police Funding Formulas

Question 1

What is your force's current budget?

a. How does this compare to your force's budget in 2012?

The absolute budget requirement for Lancashire for 2012/13 to 2015/16 is included in the table below.

The Table also includes information from the position in 2010/11.

Year	Budget Requirement	Increase+/Decrease - from Previous Year
	£m	£m
2010/11	277.803	
2011/12	275.595	-2.208
2012/13	265.337	-10.258
2013/14	258.733	-6.604
2014/15	266.589	+7.856
2015/16	259.961	-6.628

This table can be a little misleading. The budget requirement is calculated as the sum of main grant and council tax income. In 2013/14 Council Tax Support (£11.077m) and Council Tax Freeze Grant (£1.714m) were treated as specific grants (and excluded from the budget requirement figure) but in 2014/15 they were rolled into main grant and therefore are reflected in the budget requirement.. Similarly in 2012/13 Neighbourhood Policing Fund (£8.163m) was treated as Specific Grant but rolled into main grant in 2013/14.

The following table indicates the total external resources (main grant, specific grant and precept income) to aid year on year comparison.

In case of emergency call 999, non-emergency call 101

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The Government Standard

Year	Total Resources	Increase+/-Decrease - from Previous Year	Percentage Reduction	Budget Reductions
	£m	£m	%	£m
2010/11	301.191			4.0
2011/12	288.720	-12.471	-4.1%	13.8
2012/13	276.658	-12.062	-4.2%	17.5
2013/14	276.458	-0.200	-0.1%	4.2
2014/15	269.397	-7.061	-2.6%	16.9
2015/16	263.408	-5.989	-2.2%	8.6
TOTAL IMPACT FROM 2010/11 BASE		-37.783	-12.5%	65.0

The overall percentage reduction from 2012/13 to 2015/16 is around 4.8% and from 2010/11 to 2015/16 just over 12.5%

Looking forward, without any assumptions on the impact of the introduction of a revised formula funding model, we have modelled a number of scenarios as follows:-

1. Extending our current assumptions in respect of government funding reductions to 2020/21 i.e. assume a 3% reduction per year
2. Assume that funding for Lancashire reduces at the rate that funding for Non-protected services **Departmental Expenditure Limits (DEL)** reduces
3. Assume an annual reduction in government funding of 5% per annum

The following table summarises the revised funding gap that each scenario delivers.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Current Assumptions						
Resources	257.047	251.611	246.344	241.242	236.299	
Expenditure	267.982	260.504	255.422	250.306	245.700	
Funding gap	10.935	8.893	9.078	9.064	9.401	47.371
<i>Variance to current funding gap</i>	-	-	9.078	9.064	9.401	27.543
DEL forecast						
Resources	257.913	245.240	234.902	231.777	231.976	
Expenditure	267.982	261.383	248.966	238.692	236.094	
Funding gap	10.069	16.143	14.064	6.915	4.118	51.309
<i>Variance to current funding gap</i>	-0.866	7.250	14.064	6.915	4.118	31.481
5% per year reduction						
Resources	253.926	244.928	236.390	228.290	228.488	
Expenditure	267.982	257.336	248.638	240.203	232.554	
Funding gap	14.056	12.408	12.248	11.913	4.066	54.691
<i>Variance to current funding gap</i>	3.122	3.515	12.248	11.913	4.066	34.864

Each scenario increases the funding gap simply by extending the period covered to 2020/21, however the DEL based forecast and the 5% per year forecast also change the funding gap for 2016/17 and 2017/18 compared to the current position.

Based on our modelling we are predicting an overall reduction in resources from the 2015/16 amount of £263.408m to 2020/21 ranging from 10% to just over 13%. Savings required range from £47m to £55m and is in addition to the £65m already delivered.

Further savings have been identified and quantified recently and approved by the PCC subject to final implementation plans which total some £11m over the next 5 years.

Any revisions to the funding formula resulting in further loss of grant to Lancashire would have serious and significant consequences. The introduction of a revised formula during this period of austerity, even with transitional arrangements, seems ill founded and may cause significant financial turbulence and risk to forces. With 80% of the budget being staffing costs, and little option to reduce police officers numbers other than through natural wastage and voluntary exit, the opportunity to meet any further reductions diminishes.

It should also be recognised that Lancashire has a high gearing effect in that a reduction in grant has a much greater impact, which means that a 1% reduction in grant would require a 3% increase in council tax to make good the status quo, which under existing referendum limits is not achievable. A Force with a low gearing losing a similar level of grant would make good that shortfall by increasing council tax.

As an example:-

	Lancashire	Surrey
Total Grant	203.3	106.1
Council Tax	63.3	99.8
Total	266.6	205.9
Gearing	76:24	52:48

Source CIPFA stats 2014/15

1% loss of grant for Lancashire would be £2m

1% increase in Council Tax would be £0.6m

Council Tax increase to negate loss of grant would be around 3%

1% loss of grant for Surrey would be £1m

1% increase in Council Tax would be £1m

Council Tax increase to negate loss of grant would be around 1%

In relation to the current consultation on reform of police funding arrangements in England and Wales the collective views of Chief Constables as part of the National Police Chiefs Council are being submitted.

There is an acknowledgement that Forces need 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 therefore believe that this consultation is of fundamental importance to the future financial stability of many Forces. As a collective body we are disappointed that this consultation is totally inadequate for something that has such a big impact on our future funding. With grant cuts for the service of some 25%-40% expected, the proposals suggest that some Forces could stand to lose up to a further 20% of grant on top of this.

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.

Question 2

How many police officers does your force currently employ?

a. **How many police officers were employed by your force in 2012?**

	Headcount	Full-time equivalent
31/07/2015	3003	2946
31/03/2012	3318	3266
31/03/2009	3734	3693

Question 3

We have heard of cases of forces having to 'prioritise' certain types of crime in an effort to save money, is this an issue that particularly concerns your force?

a. **If so, it would be helpful to know what types of crime your force is having to prioritise and which other crimes receive less focus as a result.**

Lancashire Constabulary is aware that discussions have taken place regarding both the prioritisation or de-prioritisation of crimes recorded within specific classifications and these options are being considered as possible ways to either reduce demand or make more effective use of finite resources, however this is not the approach that we have undertaken as a force.

The financial situation the force faces is challenging and prioritising resource use and working to reduce demand form part of our overall strategy to continuously improve the service we offer, and ensuring we do so in a way which is effective, efficient and delivering public value.

The force has adopted a "Systems Thinking" approach to its change programme. This means that the force has sought to design its services based on understanding the nature of demand placed upon it. The work that has been undertaken to understand external demand shows that the police service has to deal with a huge variety of demand. Crime represents a significant proportion of the calls for service, approximately 19%, but public safety and welfare is by far the most significant grouping representing approximately 35% of logged calls for service.

Within each of these groupings there are numerous classifications and extensive analysis of these groups has indicated that the label or classification applied is a relatively poor indicator of the nature of demand or actually need that the caller has. In effect due to the nature each incident and the circumstances of each caller every call for service is unique and delivering a homogenised service based on the "classification" is not efficient.

It is relevant at this point to highlight that whilst the proportion of crime calls for service has remained relatively stable the proportion of those calls that are "complex" has increased. It is evident over recent years the reporting of crimes such as rape and sexual abuse of children has increased significantly, the actual nature of these crimes, their impact on the victim and the evidential difficulty which persist creates a significantly higher demand for service. This trend of increasing investigative complexity is predicted to continue through the increased evidence of cybercrime and the changing nature of technology and potential evidence sources that impacts on all groups irrespective of home office classification.

Lancashire Constabulary takes account of its core purpose to keep people safe, the risk, the threat, the vulnerability, the potential victim impact, the investigative viability and what the caller is actually asking for in order to try and provide a service that meets the needs of the caller at the optimum point of service delivery. This means that we do not over or under supply but provide a service that matches the need as early in the process as possible and this applies to all calls for service whether crime related or not.

This allows the force to effectively offer a range of responses to any individual call for service, with respect to crime this will range from a telephone based investigation to the deployment directly to the scene of a specialist investigative officer, but this will primarily be driven by need not classification, however we have undertaken that every crime call for service will be subject to an investigation by a warranted officer, but they in turn will be guided by doing what matters to the victim not a performance target.

The capacity of the force to deliver this approach is supported by the implementation of an Early Action Strategy and working in effective partnership. This means we are not only expanding the resources available to deal with the calls for service through the provision of resources such as mental health response officers but also working to reduce calls for service through the effective provision of preventative services and action. The Constabulary recognises the most effective model for reducing demand is to tackle the cause of a problem and do so upstream and as early as possible, however once again this requires the motivation to focus on the need of the individual rather than the classification of the call.

Question 4

The committee is also interested in collaboration and would be grateful of any comments you wish to make on this issue.

Lancashire Constabulary, like every public sector organisation, depends on other parties to implement policy or deliver services. The birth of Early Action in Lancashire and the Early Action Board has seen a development of relationships beyond inter-dependencies and traditional partnerships into collaborations and multi-party networking, particularly with the non-profit and third sector to deliver services to the most vulnerable in our communities. Public protection and the Multi Agency Safeguarding Hub (MASH) is another principal model in collaborative working and space sharing for common themes and objectives.

The current successes within Early Action and MASH have shown that community assets go beyond buildings and shared resource. The skills, expertise and motivation for change from external providers are clear evidence of the public benefit in future collaboration to achieve a joint ambition.

Proposed Strategic Alliance with Cumbria Constabulary

Lancashire and Cumbria Constabularies are currently looking at review options to progress a strategic alliance between the forces. It covers many areas of business including all specialist and support functions. The scoping work is due for completion at the end of October.

The University of Central Lancashire (UCLan)

Lancashire Constabulary has a successful and long standing history of partnership working, collaboration and leading on evidence based policing initiatives with University of Central Lancashire (UCLan). There is currently over £700,000 of funded research projects within Lancashire Constabulary departments across a variety of disciplines including domestic abuse, forensic science and Early Action. As part of this, Lancashire Constabulary and universities have effectively partnered in jointly funded initiatives, which encompass research, analysis and interventions designed to improve services, learning and development, protect vulnerable members of the public and reduce associated costs within our core business areas.

This type of collaboration now has a proven track record of;

- **Providing an evidence base** - Strengthens the Constabulary's policing policy, improve knowledge and understanding to allow improved decision making in organisational processes or practices.
- **Developing best practice** – Provides effective evaluation of the current and future delivery of service, and identifies and promotes good practice based on evidence.
- **Empowering People** – Deliver an opportunity to develop staff through high levels of learning and development.

UCLan and Lancashire Constabulary currently co-host the undergraduate policing studies programme, which was the first of its kind in the UK and produced a clear pathway for those looking to work within Lancashire Police. Lancashire Constabulary recently secured £4.3m to enhance the Early Action model and delivery in the county. There are also 6 bids currently in submission for the National Police knowledge fund including joint bids with Cambridge, Edge Hill, Liverpool, Nottingham and UCLan.

Previous successful partnership and joint funding with UCLan has initiated discussions on joint venture prospects with all parties very keen to expand the assessment into a tangible and very real prospect.

Operational Specialist Capabilities

Lancashire is a key partner in the Regional Underwater Search Unit and National Police Air Service. It also has a successful Learning and Development partnership with Cumbria.

Interoperability Arrangements

Lancashire also provides interoperability arrangements with other NW forces in respect of;

- Firearms Response – 8 x ARV plus OFC
- Motorway Policing – 6 Officers per day
- National Interoperability for Public Order support – 11 PSUs [275 officers]

North West Motorway Policing Group (NWMPG).

- Lancashire are in collaboration with Merseyside, GMP, Cheshire, Cumbria in the NWMPG. A single regional command and control centre is based at Newton Le Willows, Cheshire. Which coordinates responses to any cross border incidents, such as pursuits.
- Lancashire contributes £300,000 into this partnership each year. Various joint operations are run throughout the year to give a coordinated approach.
- Lancashire retains individual force identity and responsibility for reporting serious and fatal incidents on our own part of the motorway network even though routine patrol may be done by neighbouring forces.

Serious Organised Crime Capabilities

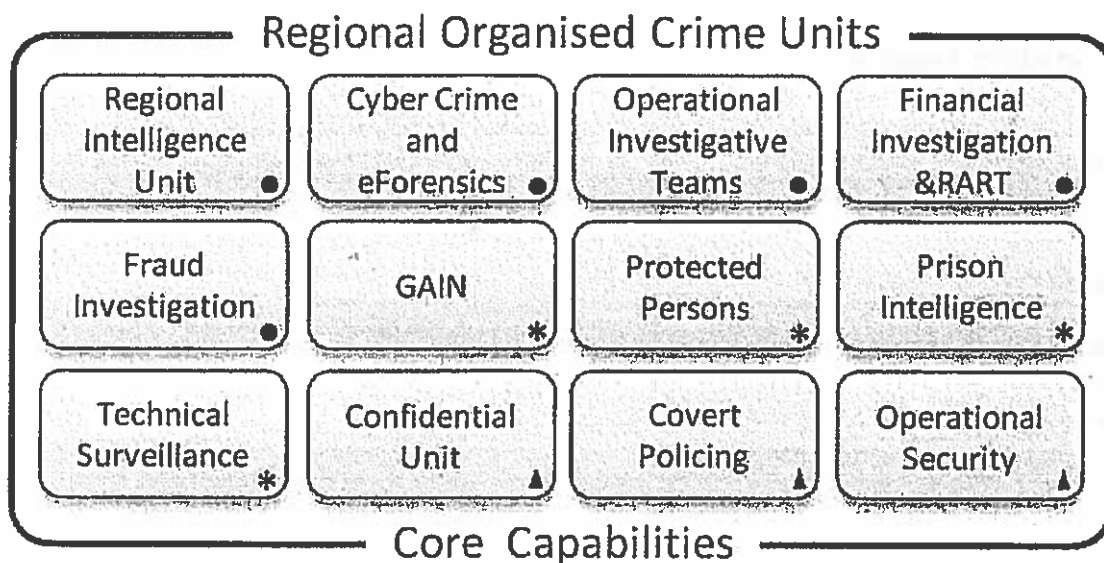
Lancashire is committed to supporting the NW regional RCU arrangements branded under Titan. The current Titan arrangements include a number of specialist and covert policing

capabilities. Some of these are delivered exclusively by Titan, others continue to be delivered in some form at force level to ensure effective delivery against OC threats at NIM level 1 and 2, whilst Titan primarily focus on level 3 OCGs.

In terms of funding arrangements, there is a clear and agreed pro-rata funding formula based on force grants. The agreed proportion payable by Lancashire equates to 19.2% [£2.15m] of the force funded element of the Titan budget [£11.6m]. In terms of people, 44 Lancashire staff members are seconded across Titan disciplines.

Titan Capabilities

Currently Titan delivers twelve separate core capabilities, these are;



● = Delivered by TITAN for the Region and in addition the same or similar is delivered by each NW Police Force

* = Delivered exclusively by TITAN on behalf of the NW Police Forces

▲ = Delivered by TITAN for some but not all NW Police Forces

Currently, Lancashire do not subscribe to the Covert Policing aspect of Titan, however have tabled a proposed alternative operating model in respect of the Undercover Foundation capability that involves a hub and spoke arrangement that would be acceptable from a Lancashire perspective. This is due to be discussed at the next Titan governance board.

Titan costs;

- Annual budget £14.9m [£11.6m funded by constituent forces' contribution]
- Agreed funding formula
 - GMP – 37.7%
 - Merseyside – 21.5%
 - Lancashire – 19.2%
 - Cheshire - 10.8%
 - North Wales – 6.4%

- o Cumbria – 4.5%

There is other areas of business in which there are regional arrangements to provide mutual assistance, handling of Child Rescue Alert calls for example, but this does not translate to regional delivery of a capability.

Specialist Operations

Potential opportunities are being scoped and explored for Strategic Alliance with Cumbria. Areas of business that are being considered include most specialist capabilities. Initial indications are that departments such as Scientific Support, Major Crime Investigation, Counter Terrorism, SOC and Surveillance may all merit further development and consideration.

Lancashire County Council

Lancashire Constabulary continues to have close working relationships with Lancashire County Council. One of the key areas is the provision of shared financial services, which is a long standing relationship that gives us access to an Oracle Enterprise resource solution as very good value for money. This covers payroll, accounts payable/receivable and general ledger. We also have developing relationships across our support service functions for example we have provision of specialised estate services.

The future

In the future, alternative investment and funding sources present an opportunity to Lancashire Constabulary. A high number of these funding bodies will require robust, established and successful partnerships, collaboration or joint venture bids. Match funded bids will also be key factors – Raising or investing own capital in order to secure financial backing will be essential. This can serve as an enabler or a threat to the organisation dependent upon the decisions made currently regarding resources, capital and physical assets.

Collaboration allows organisations to achieve the requirements of a joint endeavour and facilitates a number of key advantages including;

- Better meeting community needs through increased access to other resources and specialisms
- Cutting costs through shared overheads and buying power
- Stronger and increased funding bids
- Greater campaigning and credibility to influence strategic results
- Reduced isolation and duplication in important areas of work

- Improved scope of innovative through collective functioning and philosophies for a common purpose

There is now a clear need for a keener, '*forward focused*' and innovative approach to collaboration in delivering policing services across Lancashire. The prospect of doing this also presents the opportunity to foster our learning and development into an industry leading model and enhances the offering of Lancashire Constabulary to other organisations, police forces and the public.

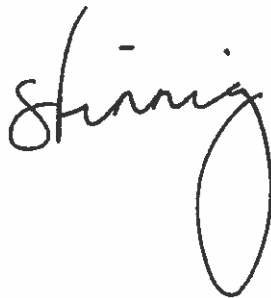
To advance research, we propose our focus will concentrate on key areas of crime and the drivers of operational policing that are developing significantly from a technological or cultural front.

Moving forward, Lancashire Constabulary must find new opportunities to:

- Protect and maintain the right services and people across Lancashire Constabulary
- Recruit and retain the best people from our communities
- Increase education, skills and personal development of staff
- Proactively protect communities from new and emerging threats
- Invest in community assets and skills
- Reduce overheads
- Generate income
- Share research, learning and advance joint working opportunities
- Build new infrastructures around cyber and high tech crime
- Maximise the opportunities of both physical and virtual space sharing

Lancashire Constabulary now has a dedicated team researching key departments and functions within the organisation that may be able to provide collaborative opportunities. We are also liaising with University of Central Lancashire around their own learning and development and collaboration plans for the future in the hope of identifying common themes moving forward. A full options paper will be produced to Chief Officer Team in October 2015. Legal advice is also currently being sought to ensure any opportunities are possible within these key areas of policing.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Finnigan', with a large, stylized loop at the end.

Steve Finnigan
Chief Constable