



**Lancashire  
Constabulary**

police and communities together



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Date: 14 September 2015

Dear Mr MacDonald

### **Consultation on reform of police funding arrangements in England and Wales**

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This letter represents a joint response from the Police and Crime Commissioner for Lancashire and the Chief Constable of Lancashire Constabulary to the consultation on the reform of police funding arrangements in England and Wales.

It reflects the position that the Commissioner and the Chief Constable currently face in respect of the unprecedented financial challenge the extended period of austerity has presented.

We want to plan responsibly and effectively for the future and the uncertainty that the consideration of these reforms presents, in conjunction with the forecast impact that the Comprehensive Spending Review 2015 is expected to have for policing services, means that this aim is made increasingly difficult.

Specifically it is the uncertainty that the reallocation to funding that this reform will generate in addition to the further reduction in funding of between 25% and 40% in future years forecast by the Treasury that generates a situation where responsible planning becomes almost impossible.

We are committed to engaging with government on the future of funding for policing however we are extremely disappointed that this consultation is completely inadequate for us to do so effectively when you consider how important the process for allocating funding is for the forces throughout the country.

We believe this consultation represents a missed opportunity for the development of the process that determines the allocation of Police funding in the future and hope that there will be opportunities available for us to contribute further.



We have a number of significant concerns with the consultation, the main elements being:

- The consultation is rushed – we have been given less than 8 weeks to provide our response on what is a major issue for the future of policing without any meaningful prior engagement
- The data to support the consultation is inadequate – the consultation contains no meaningful exemplifications for what is intended to be a major change to be implemented in 2016/17, without such data it is impossible to determine a reasoned and informed view
- The methodology is unclear – changes to the calculation of funding allocation are proposed but no real explanation is provided of how that will work in practice and the impact that will have for forces (this is compounded by the lack of data and exemplifications)

We are extremely disappointed that what was promised to be a fundamental review of the way policing is to be funded has instead, it would appear, become a simple exercise in reviewing police grant allocations. For example, no consideration is given to the changing role of policing nor to the consideration of providing some locally driven flexibility to the generation of income to fund services.

Notwithstanding all of the issues identified above we have tried, as far as we can, to respond to the issues raised by the consultation. Although we are responding on a far from ideal basis where no real data has been provided we feel it is important to set out our views on such an important topic. We reiterate our commitment to contributing to the process and hope that we will be able to do so in the forthcoming months.

**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.

The determination of the allocation of funding to forces is long overdue and the existing model lacks transparency and is found extremely difficult to interpret and understand.

Any new model should be clear, transparent and understandable and should reflect fully the nature of work undertaken by today's police service.

**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 exemplifications of the new funding formula it is difficult to assess the national impact of these changes, however it is important to recognise that legacy council tax grant allocations reflect previously taken local decisions on precept and consideration of these should continue to be retained outside the general grant funding allocations.

Any changes to the treatment of council tax related grants should only occur in conjunction with increased flexibility in the local determination of council tax.

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

Taken simply at face value the identified principles do not raise objections, however many of them are subjective and hence subject to interpretation. For example; option three defines a formula where a quarter of the information comes from the census and hence is only updated every ten years. We have real concerns over the robustness of such information. Also, none of the options presented contain any detail on impact or development, yet we are expected to respond without this vital information. Again we have genuine concerns over the robustness of this process.

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

We believe there are clearly a number of obvious omissions around “fairness” and “transparency”. We would have hoped to have seen a formula where the following issues were considered:

- The opportunities for ministerial control are diminished
- Decisions (for example, selection of data used in the calculation of allocations) made more transparent
- That all elements of the service are recognised (and reflect the changing nature of the work we do)
- That the data used is up to date
- That there is complete objectivity and there is no arbitrary manipulation of the factors used in its calculation
- That certainty is provided for a longer term period to enable effective financial planning

**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.



The current flat rate reductions in funding reflect that the model has not been calculated for at least two years and therefore the information upon which it is based is significantly out of date.

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

Not applicable

**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?**

The upgraded PAF option is accompanied by a complete lack of information on method, data, exemplifications and statistical robustness. It is for this reason that we do not feel we are able to answer this question as we are not able to make an informed decision.

**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.**

Please see answer to question 7.

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

The accompanying explanation of the Principal Component Analysis does not explain how variables have been selected or excluded or the degree of variation explained by the published model. It is for this reason that we do not feel able to give an informed answer to this question.

We also have concerns over this model's possible over-simplicity and the timeliness of the data that is proposed for use. For example: no measures have been included to reflect demand from non-crime (e.g. prevention, reassurance etc.) and the chosen indicators outside population could imply perverse incentives; and, the data sets included in the consultation have the potential to be up to ten years old which seems a far from robust basis for the allocation of funding.

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



Without exemplifications and statistical details for the Simplified Model we simply do not have enough information to give an informed opinion on the indicators being proposed, nor to be able to suggest alternatives.

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

Please see answer to question 10.

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

Agree.

It is unacceptable to only model part of the demand on the policing service. The lack of exemplifications means that it is impossible to form a view if the albeit informal assertion from Officials that the proposed crime elements are actually a satisfactory proxy for relative or expected non crime activity also.

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

Please see answer to question 10.

**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 in the consultation is inadequate to enable us to be confident that the new formula could be implemented in 2016/17. As we have previously stated we are extremely concerned at the lack of: clear exemplifications; background data to support the calculation of the formula; and a clear indication of how the various transition arrangements will be applied.

We would observe that implementation at any time in the face of such non transparency raises fundamental questions about the meaningfulness of the consultation process.

**15. If you disagree, when do you think a new model should be introduced?**

Please see answer to question 14.

**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?**



Without exemplifications and statistical information we are unable to provide an informed opinion.

**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?**

Without exemplifications and statistical information we are unable to provide an informed opinion.

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

The consultation paper contains almost no details on the current arrangements and none whatsoever on the proposed new and enhanced process. Given this lack of information, we are again unable to give an informed answer to this question.

**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.**

Ordinarily we would support the use of transitional arrangements; however, given the lack of detail with regard to the magnitude of the proposed changes we are again unable to express an informed preference.

We do, however, wish to express our concern about the impact for forces that stand to lose grant as a result of the changes to the formula at a time where there will be a considerable cut to general grant funding.

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

Please see answer to question 19.

**21. Which of the transitional options should be applied?**

- (i) Option 1 - Gradual**
- (ii) Option 2 - Required**
- (iii) Option 3 – Enabled**
- (iv) Other – please specify**



Please see answer to question 19. In addition to this, we feel that where changes are significant the Home Office should seek to negotiate additional funding from the Treasury.

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

- (i) Total reserve levels (earmarked and unallocated)**
- (ii) Percentage of total funding from precept**
- (iii) Total funding per head of population in force area**
- (iv) HMIC Peel efficiency assessments**
- (v) All of the above**
- (vi) None of the above**

This question implies a support of the enabled option, which as highlighted in our response to question 19 we are not able to endorse in the absence of key data-

However, we want to make it clear that we have a strategy for the use of our reserves in future years. In addition, crucially, reserves are not a substitute for savings. Their use for this purpose is one off and simply rephrases the underlying challenge back a year or two without providing a solution. A proposed use of reserves in this way does not agree with the principles of sound financial planning.

The PEEL assessments are already being criticised for being too subjective. If funding is to be moved or allocated based on this measure of resilience it must be an objective measure.

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

Please see above.



## **Conclusion**

We have attempted to engage positively with this review, however, on this occasion, given the extreme lack of information accompanying the proposals, do not feel able to offer informed and considered answers to many of the questions posed. We do agree that a new fit for purpose formula for the modern police service is needed but regret the lack of prior engagement, the very tight deadline and the absence of exemplification which severely limit an overall assessment and informed judgements on most of the specifics.

We repeat our commitment to engaging with government on this matter and look forward to being afforded the opportunity to do so in the future.

We look forward to the Government's response to this consultation.

Yours sincerely

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Police and Crime Commissioner for  
Lancashire

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