

## Halliwell, Suzanne

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**From:** Halliwell, Suzanne  
**Sent:** 13 October 2015 14:47  
**To:** Pearson, Jane  
**Subject:** Police funding formula cuts information  
**Attachments:** Funding Formula Briefing Pack.pdf

Can this one please go to Council Leaders.

Please find attached a copy of the briefing note shared with MPs and Peers today regarding the review of the funding formula and its impact on Lancashire Police.

I urge you to lobby your MPs against these changes.

If you have any queries then please get in touch with my office.

You can watch the press conference we held here: [www.lancashire-pcc.gov.uk](http://www.lancashire-pcc.gov.uk)

Kind regards

*Clive Grunshaw*

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## **Home Affairs Committee Inquiry into Police Funding**

The Committee has invited evidence on the following questions:

### **1. Does the proposed new funding model meet the ambition of being simple and transparent while also ensuring that funding is disbursed equitably?**

1.1 The model appears simple in its approach, however it is not easily understood and the underlying performance of the model is opaque in terms of how it allocates resources to forces and therefore impossible to determine whether funding is distributed equitably. The latest revision of the model, whilst providing information on the potential shares of funding for forces, is still lacking in transparency as it does not provide underlying data, e.g. urban adversity factors and there is no clarity on the impact of the further introduction of an Area Cost Adjustment factor. There are no detailed exemplifications to make a professional judgement on this.

### **2. Do Police Forces have sufficient understanding of the demand for their services?**

2.1 The demand on Forces has changed considerably since the current formula was devised particularly around cybercrime, terrorism, safeguarding, public protection and vulnerability. There is considerable work being done to better understand the change in policing demand and as exemplified by the College of Policing's report in January 2015, the split between crime (20%) and non- crime (80%) demand is evident Whilst there is not yet a sophisticated understanding of demand across all forces, there is a recognition that a different number of factors influence policing need, with non- crime factors becoming increasingly important. Therefore it is important that any proposed formula reflects the demand and is robust to changes over time in what affects policing need. The current proposals do not support this view.

### **3. Do you agree with the Home Office's assessment of the six key drivers of crime indicated in the consultation?**

3.1 There is insufficient evidence provided to make an objective assessment of the 6 drivers outlined, although it is evident that they do relate to activity which policing deals with. However there is a clear disconnect in terms of the non-crime demand and as outlined earlier non crime activity represents the majority of police demand and needs to be reflected in a funding model. Without its inclusion there is a significant risk that the model may not allocate resources fairly. It is also a belief that other socio-economic factors such as "worklessness", social isolation, deprivation drive both crime and non-crime demand. However, due to the lack of available information in the formula proposals it is impossible to assess the extent to which these drivers are reflected in the consultation. It is fair to say that alcohol abuse drives both crime and non-crime police activity, however the proposal within the formula to use bars and volume of bars is

focussed primarily on night time economy police activity and does not reflect the activity for policing resulting from alcohol harm out with Bars.

**4. Should the proposed new funding model include indicators of “non-crime demand”? (The Government’s consultation document refers to incidents involving people with mental health issues and child protection as demands on policing have not previously been captured in any funding formula)**

4.1 Yes. See responses above.

**5. Is the proposed new funding model consistent with the guiding principles**

5.1 In addition to the 3 objectives of fairness, transparency and stability outlined in the consultation document by the Home Office, the Home Office also set out 5 principles of what it believes to be a good funding model. The following analysis of the proposals sets out the underlying reasons why we firmly believe it does not meet these principles:

5.2 **Robustness** – the model uses the statistical technique known as Principal Component Analysis (PCA) which relies on establishing a principal component, in this case population, for determining policing need. There is no clear statistical evidence provided to establish this to be the case. Furthermore, there is no discernible evidence of testing the model through changes to variables and therefore no evidence of the robustness of the model. The consultation also contains reference to other Government departments’ formulae for funding allocations and other countries approaches to allocating police funding. From the consultation document it would appear that none of these rely on PCA to allocate resources.

5.3 The letter from the Policing Minister of the 8th October states that whilst alternative measures have been proposed for non-crime activity no robust data was available and that population remained the ‘best’ proxy for such activity. This is an issue that should be contested, data does exist but what is needed is sufficient time to collate it at a national level and then examine how it can be used in the formula. Simply using population to save time does not appear to be a robust approach to determining such an important process.

5.4 **Stability** – given what has been outlined above, stability will only occur if the makeup and variables within the model do not change over time. However, there is a significant amount of work currently being undertaken to better assess police demand (20% crime/80% non-crime) and therefore if this leads to further variables being incorporated into the model this could lead to instability in allocations.

5.5 **Transparency** – to be transparent something needs to be easily understood. Whilst the model is simplistic in its approach it is not easily understood and the underlying performance of the model is opaque in terms of how it allocates resources to forces. Furthermore, the recent addition of the ACA and the impact of it within the model has not been illustrated. Our analysis of this indicates that in raw terms it reallocates £186m between forces with 8 forces benefitting at the expense of 34 losing.

5.6 A further failure in terms of transparency is the use of a commercial company’s data, namely Acorn 5 urban adversity. This variable is not available and lacks transparency in how it is compiled nor is it free to police stakeholders.

5.7 **Incentivising Government objectives-** The lack of any activity cost data in the proposed model does not cater for lower or higher cost activity faced by certain forces,

e.g. geographic sparsity. This may lead to over or under resourcing and drive perverse incentives on activity across policing activity.

5.8 The proposed model does not appear to allow any recognition of past performance in respect of the delivery of efficiency in previous years. As a force that has been recognised as outstanding in the delivery of efficiency for a number of years it appears incongruous that this performance is not recognised by any of the measures used in the derivation of the funding formula in the future. This would therefore appear to penalise those forces that have a proven track record of delivering efficiency over a number of years by not recognising this performance.

5.9 **Future Proof** – the aim of the model is that it should be easily adaptable to changes in structure and future demands. However, the uncertainty around stability and robustness suggests that there is no way of easily changing the model to reflect such changes without causing turbulence in the allocations.

**6. Principle 4 of the proposed new funding model seeks to promote improved efficiency. Is it possible for the model to take into account efficiencies achieved in previous years?**

6.1 The principle states that PCCs can make efficiency savings in the knowledge that their funding will continue to be estimated on the basis of objective indicators in the long run. See above section, point 4. It is difficult to see how this will happen in reality given Lancashire's outstanding record in achieving efficiencies and providing VfM but under the proposals receives amongst the highest proportional reductions in funding under the revised formula.

**7. What criteria should be used to determine whether the proposed new funding model is introduced in time to determine 2016/17 funding allocations and what are the implications of delaying its implementation?**

7.1 It is difficult to see how it can be implemented in time for 2016/17 due to the consultation currently taking place and the service having insufficient information to make informed judgements on what is being proposed. The potential turbulence arising from the proposals at the same time as consideration of the impact of CSR reductions in the region of 25-40% pose questions around the viability of some forces to bridge the financial gap in 2016/17. There is simply insufficient time between now and April 2016 to deliver a safe and sustainable savings to meet the potential budget shortfall and financial turbulence. Delaying the introduction would enable the work on the challenges facing 21st Century policing to be assessed in terms of demand and risk and threat and an objective, independent assessment of how best to allocate resources to forces in a safe and sustainable way. In our view these proposals represent "the wrong model at the wrong time" and could place policing at considerable risk of not being able to keep the people in our communities safe from threat, risk and harm.

Yours sincerely



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& Crime Commissioner

and



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