



Reference No: **86-2015**

THE POLICE & CRIME COMMISSIONER FOR CLEVELAND

DECISION RECORD FORM

<p>REQUEST: Approval and Publication of Police & Crime Commissioner's Response to Funding Formula Consultation</p>
<p>Title: Police & Crime Commissioner's Response to Consultation on Reform of Police Funding arrangements in England and Wales</p>

Executive Summary:

The Government propose to reform the structure of funding arrangements for policing in England & Wales. On 15 July 2015 the Home Office published consultation on the underpinning principles for new arrangements.

Both the Police & Crime Commissioner for Cleveland and the Chief Constable of Cleveland Police have prepared responses for submission in time for the deadline of 15 September 2015.

The Chief Constable has made a separate contribution in relation to police funding, to the current business of the Home Affairs Select Committee. That response will be published separately by the Chief Constable.

The Police & Crime Commissioner is concerned that the Government have not set out in the consultation, the full background information in relation to all of the options they have considered. In common with many PCCs, the OPCC for Cleveland has asked the Government to disclose additional supporting information – that request has been partially declined; with some documentation which is indirectly relevant to the consultation being disclosed less than ninety minutes before the consultation deadline.

The responses to the consultation prepared by the PCC and the Chief Constable therefore both point out the difficulty caused by the way in which consultation has been carried out.

The PCC for Cleveland has nevertheless highlighted the following points to the Government:

- The need for multi-year certainty, or at least the ability to plan, especially when expected to work in partnership and forge and maintain collaborative service provision
- The reductions in Cleveland’s funding since 2010
- The extensive work to progress collaboration and service changes since 2010
- The effect that police funding changes will have across the local and regional public sector; and
- The constraints that further funding reductions would place on the PCC’s commitment to deliver the Police & Crime Plan, for which the PCC has a mandate and which has been refreshed but remained consistent throughout his term and (b) the challenge to maintenance and developing neighbourhood policing in the face of further reductions in funding.

The PCC for Cleveland is formally adopting the consultation responses as a Decision Record, given the significant public interest at stake.

Decision:

1. To issue (and publish) the Police & Crime Commissioner’s response to the consultation (see Appendix A)
2. To express support for the Chief Constable’s response to the consultation (see Appendix B)

Contractor Details (if applicable):

None.

Implications:

Has consideration been taken of the following:	Yes	No
Financial	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Legal	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Equality & Diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Human Rights	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Sustainability	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Risk	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
(If yes please provide further details below)			

Decision Required – Supporting Information

Financial Implications: (Must include comments of the PCC's CFO where the decision has financial implications)

While the results of the consultation on the future police funding formula will have a direct impact on the amount of funding available to the PCC in relation to government grants in future years, the decision to publish the response to the consultation does not in itself have any direct financial implications associated with it.

Legal Implications: (Must include comments of the Monitoring Officer where the decision has legal implication)

None arise directly from this decision.

Equality and Diversity Implications

None arise directly from this decision.

Human Rights Implications

None arise directly from this decision.

Sustainability Implications

None arise directly from this decision.


Risk Management Implications

None arise directly from this decision.

OFFICER APPROVAL

Chief Executive

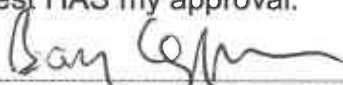
I have been consulted about the decision and confirm that financial, legal, and equalities advice has been taken into account. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner.

Signed: 

Date: 17 September 2015

Police and Crime Commissioner:

The above request HAS my approval.

Signed: 

Date: 18/9/15

Consultation on Reform of Police Funding arrangements in England and Wales**Response of the Police and Crime Commissioner for Cleveland, Barry Coppinger****Introduction**

Thank you for the opportunity to contribute to the consultation on Reform of Police Funding arrangements in England and Wales. I support the need to address the funding mechanism for policing. The existing funding formula has not been kept updated, been capable of full implementation and is generally not understood or accepted. However the launch of a consultation exercise on such a major topic with only an 8 week deadline, mainly over the summer, without meaningful prior engagement and more crucially without meaningful exemplifications is very alarming. The lack of exemplifications in particular makes it extremely difficult to provide any meaningful feedback on the proposals and therefore this feels like a missed opportunity.

What I would expect that you will be able to get full agreement on is that the continued short term funding position that we find ourselves in is unsustainable. Being allocated funding in December each year for a financial year that starts only 3 months later is a poor way to run such a pivotal public service. It inevitably leads to short term thinking, reactive decision making and therefore not the best outcomes. We need to be in a position where we have a multi-year settlement, incorporating best estimates, which take into account the Comprehensive Spending Review and also factor in the revised funding formula and the transitional arrangements.

This medium term planning horizon is vital in being able to commit to partnership and collaborative working because commitments and then plans can be based on an affordable service provision within a known financial envelope. This will mean all parties being in a position to be able to commit.

You'll be aware, through the work that the National Audit Office (NAO) did, that despite all Police Force Areas receiving the same level, in percentage terms, of cuts to Government Funding that this does not equate to 'equal pain' for all, in either percentage nor cash terms when it comes to the overall level of funding available to PCC's.

Cleveland's overall funding level has reduced by 18% between 2010-11 to 2015/16, per the NAO report, which is significantly more than most however many of those, that have lost less in overall funding terms, would not necessarily be seen as areas with as high a need or demand as Cleveland.

While I would not usually draw direct comparisons to other Force areas I thought it was interesting that you specifically reference both Cleveland and Warwickshire within the consultation document where you state 'Warwickshire and Cleveland have broadly similar populations but in Warwickshire there are 49 recorded crimes per 1,000 people while in Cleveland there are 75 recorded crimes per 1,000 people'

It is interesting therefore to acknowledge this in comparison to the position of the same Force in relation to the reduction in overall funding within the NAO report. Within the NAO report it shows Cleveland's overall funding reducing by 18%, between 2010/11 and 2015/16 whereas Warwickshire's reduced by 'only' 14%. I am not looking to comment on the reductions received by Warwickshire, as I think these are too high also, but the point I am making is that we shouldn't have these discrepancies in how we fund such vital public services.

Since 2010 we've made over £37m of savings, which compared against our current budget of £132m is a significant contribution to balancing the public finances. This includes reducing the costs of the PCC's office by over 30% in comparison to the former Police Authority. However continuing the cuts and reductions within policing at the rumoured 25% will result in a position where Cleveland will have lost around 50% of their Government Grant for policing over the period of a decade.

We have been innovative in trying to address the funding reductions and have received excellent comments from our External Auditors in relation to our arrangements for Value for Money. We have delivered significant savings through procurement, collaboration and through private sector partnerships, around both typical back office functions but also in relation to Custody, Control Room and Criminal Justice services. We are working with 2 Neighbouring PCCs and Forces to develop additional collaborative services in addition to

NOT PROTECTIVELY MARKED

continuing work with the Fire Service. All of this however takes time and resources to deliver which is something that is not being afforded to us in the current environment.

Given the demands on, and for, public services within Cleveland, driven by the demographics and need of the population, the knock on impact of the policy for straight percentage cuts across all areas of the public sector means that Cleveland is more adversely impacted than most. These larger cuts, in terms of overall budget, means that the strain on public services is higher in Cleveland than on those areas less reliant on Government funding. The consequential impact across local and regional public sector organisations and onto the local population means that many of the challenges that we are working with our communities to improve may not be possible and there is a danger that by not providing these vital services to those communities most in need that we are embedding these problems and challenges for the foreseeable future.

The continued funding constraints are likely to impact significantly on my ability to deliver against my Police and Crime Plan, the cornerstone of which, has been and continues to be Neighbourhood Policing. However there is a real risk that continued cuts to police funding within Cleveland is likely to lead significant challenges in the ability to maintain Neighbourhood Policing in its current format within Cleveland.

The retention and development of neighbourhood policing was not only a key issue on which I received a mandate across the Cleveland area at the November 2012 elections, it is also consistently supported by residents at the approximately 300 community meetings across Cleveland I have attended during this period. At the same time, the Cleveland force are also having to devote additional resources to tackling issues of vulnerability, some of which are historical, and an inevitable increasing demand on policing linked to government reductions in public service funding elsewhere.

With the above in mind please find below my responses to the questions set out within the consultation document.

NOT PROTECTIVELY MARKED

Consultation Questions

Chapter 2

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

Strongly Agree

It needs to be more relevant to policing today and be able to be implemented in full in order to be credible. However, deriving one formula for all areas for all activities (the Met to Cumbria, visible reassurance to Child Sexual Exploitation, hate crime to organised crime) is a significant task and one which cannot meet a test of simplicity given the complex nature of the services provided without ignoring significant aspects of demand. There needs to be an open debate around the role of policing. It is not simply about crime. The current formula and the proposals take no account of wider demand and need. They are blunt measures based on volume in the main and proxy historic regression assessment of deprivation equating to funding requirement in this context. There is no factoring in of any activity based on outcomes and longer term prevention, wider community safety, mental health drivers, wider environmental factors, the economic contribution of security of location and safety that policing brings.

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?

Strongly Disagree

There are 2 separate elements that make up the 'legacy council tax freeze grants' which need to be considered separately.

The first is those Grants that have been allocated to PCC's who have chosen to Freeze their precept. PCC's were strongly encouraged to accept Precept Freeze grant to help with the cost of living for those within their areas. The letters encouraging the acceptance of these Grants indicated that this funding would be included within the Police Main Grant going forward. To now look to include this funding into an overall large pot of funding and then allocate across all Police Force areas is detrimental to those who froze their precept. Not only will those who froze precept not have this funding as part of their precept but then they will also not be compensated for this by way of a separate grant.

Conversely those who had increased their precept would also 'share' in the benefits of this being included within an overall pot and would in effect be allocated additional funding on top of the increases in precept that they are benefiting from.

It is also not clear from the consultation how the Welsh Forces, who have not been subject to either the precept referendum limits, or the precept freeze grant regime, would be treated. Strictly speaking they would benefit from including this funding within the overall pot yet have been able to raise precept throughout.

The other element of the Legacy Council Tax Grants is the Local Council Tax Support Grant.

The localisation of council tax support, announced in the 2010 Spending Review, was taken forward through the Local Government Finance Act 2012. The original funding consultation set out how Government would distribute funding for local authorities to assist with the costs of providing council tax support from April 2013. The Department for Communities and Local Government made funding available, based on 90% of what subsidised council tax benefit expenditure would have been in 2013-14, to billing and major precepting authorities. This funding would help to offset the reduction in the council tax base as a result of the creation of new council tax reductions to be set out in local schemes.

Given what the funding was for, it is unclear why or how putting this funding into the overall pot to be allocated by a generic formula would provide an allocation that provides a more equitable allocation based on the funding lost to PCCs, and based on the needs of the communities within their areas, as a result of the original policy change.

Chapter 3

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

Principle 1: Robust – Agreed

Principle 2: Stable – Agreed

However, this in itself is of limited value without multiyear settlements. Stability is useful but this is merely an allocation model of a finite sum across all force areas which is notified very late and does not allow effective planning. This is particularly difficult given the ongoing reductions, the multi-agency delivery models and collaborations in place and commissioning processes. All of these need forward planning; being stable in allocation is of limited value when the actual amounts fluctuate so much.

Principle 3: Transparent – Agreed

But again a simple model inevitably ignores the complexities which exist and cannot be overlooked locally when assessments of allocation clearly need to be made based on threat, risk and harm.

Principle 4: Incentivising Government objectives – Disagree

Police and Crime Plans are set locally, taking into account strategic risk assessments, overall threat, risk and harm, and local priorities. The strategic policing requirement has to be factored in as part of this, and partner and community priorities and views inform resourcing. In particular improved efficiency does not need promoting. Everyone is working to this and has been for a considerable time. There is a perversity currently that there is a Police Innovation Fund bidding process which supports efficiency and delivery. However it is not transparent in its allocation to successful bids and works against other key drivers of efficiency including gaining consensus on specifications and ways of working which are fundamental to interoperability and achieving cash savings. This process diverts attention and is set against the ICT Company's drive to agreed standards and achieving the procurement savings critical to meeting the savings target of up wards to £500m.

Principle 5: Future proof – Agreed

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

It should take into account the different types of policing activity and an aspect should be based on achievement and outcome. Also it needs to be sustainable and credible. It needs to be clear what it is funding, for instance there is significant evidence to suggest that there are significant demands placed on the Police dealing with Mental Health Issues, yet it is not clear that the Police are funded to deal with many of the issues that arise.

Are the Police picking up issues that other public sector organisations are funded to deal with? It would be hoped that a funding formula would be able to provide the clarity of exactly what 'services' are expected to be funded through the allocations.

Chapter 4

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 currently formula is almost impossible to understand, everyone has issues with it and it has never been applied in full and so is arguably flawed. Any alternative model should be capable of full implementation.

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

N/A

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?

Strongly Agree

To take the current formula and try to update/upgrade it would appear to be a waste of time and resources. If this option was realistically being considered then it would be a more effective use of time just to continue with all Force areas receiving the same percentage change in their allocation year on year.

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.

N/A

Chapter 6

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

The explanation of the Principal Component Analysis within the consultation document does not explain how variables have been selected or excluded or the degree of variation explained by the published model. It is therefore impossible to give an informed answer to this question.

In addition, and as elsewhere, we also have concerns over this model's possible over-simplicity. 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.

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

In overall terms it is exceptionally difficult to provide an informed opinion without exemplifications and statistical details for the Simplified Model on the indicators being proposed.

Force Allocation for Population

Agreed

We agree with the inclusion of this indicator within the model and believe it should form the basis of the funding formula.

Force Allocation for Band D equivalent Properties

It is difficult to really assess what this part of the formula is trying to do. It is not clear within the consultation document exactly how this element of the formula would in fact be calculated. It is also unclear why an example calculation for this wasn't simply provided to aid commentary/feedback in this area.

If the aim of this portion of the formula is to try to compensate those areas that have a reduced ability to raise council tax locally then we would agree that this is a worthy aim and one that we would support being in the formula.

By way of exemplification, if we consider the following:

Police Force Area A and B are exactly the same except for the number of Band D equivalent properties within the Police Force Area, see below:

NOT PROTECTIVELY MARKED

Police Area A – Population 600,000, Band D equivalent properties 150,000, Band D Precept - £200

Police Area B – Population 600,000, Band D equivalent properties 200,000, Band D Precept - £200

Police Area A would receive £30m in precept to support the policing of an area with 600,000 people and a 2% increase in precept would raise £600k.

Police Area B would receive £40m in precept to support the policing of an area with 600,000 people and a 2% increase in precept would raise £800k.

The consultation document recognises ‘the number of people within a force area is clearly a critical factor in determining the resources required to provide effective policing in that area’ and the proposed formula looks to allocate 24% of the funding in this respect. However without taking into account the ability of a Police Force area to raise income locally into account, as part of the overall funding envelope then the aims of the funding formula will be undermined by the precept side of funding.

In the example above Police Area B would have £10m more to Police its area than Police Area A, or would be able to set a Band D precept at £150 (so £50 less than Police A) unless this element of the Force equalises, or tries to compensate for this.

It is important to recognise this is not, and should not be, about the level at which the Band D precept is set.

Force Allocation for households with no Adults employed and dependent children

Non-working households with dependent children is but one socio economic factor and the consultation doesn't provide the analysis, to show why this measure, as opposed to another factor is closely correlated with the patterns of crime and/or more arguably important the demands placed on policing. Again this does not address non- crime demand.

Force Allocation for Hard Pressed Population

Again this area does not address non-crime demand.

Both of these population characteristics, which apportion 50% of the funding within the proposed funding model, have been used after ‘A broad range of factors were examined to identify which most closely describe differences between Forces in terms of variations in crime.’ It is our understanding that this reference to crime relates to ‘Police Recorded Crime’ and therefore 50% of this formula is based on data directly generated by police activity or easily influenced by it – which is directly contradictory to the rationale for the objectives set forward in Chapter 6.

It is not clear why Police Recorded Crime as opposed to the Crime Survey for England and Wales data has been chosen, for example, given that this is a more independent source of information.

Force allocation for bars per hectare

First of all it is unclear from the consultation exactly how this calculation would be undertaken. The suggestion is that it is simply ‘the number of bars divided by the number of hectares’.

Surely this doesn't make any sense unless this is then multiplied by the percentage share of bars each area has across England and Wales?

It is also not clear from the consultation why this particular measure is chosen over all other environmental factors. If the trend, for instance, is that people are drinking more within their homes instead of going to bars then this measure simply does not recognise that shift. It is once again a problem of the formula being configured to try to closely describe differences between Forces in terms of variations in crime, which is backward looking and will therefore miss changing demands.

NOT PROTECTIVELY MARKED

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

Without exemplifications and statistical details for the Simplified Model it is difficult to give an informed opinion on suggested alternatives. Without any information included within the consultation on why certain indicators have been rejected/not included within the proposed model it is difficult to provide any informed feedback on these too.

With the above concerns being noted then the following are some areas we would have expected to see reflected within the model.

The 'bars' is an outdated poor reflection of demand, or drivers. Other drivers such as related mental health issues haven't been reflected and this seems only to take into account in its component parts 'crime' as the police activity. And this centres around 'reactive and response' rather than prevention or any community safety aspects. No assessment is demonstrated that this is a bigger driver than others.

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

Strongly Agree

It is unacceptable to only model part of the demand on the policing service. At the very least, the consultation should have allowed confidence to be gained in the 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?

The first step in determining what indicators should be included within any model for non-crime demand is to determine firstly what the Police are responsible for, what is included within the overall funding to be allocated by the formula and then to determine the most appropriate method for allocating it between Police Force Areas. As mentioned elsewhere there is significant evidence of the demand placed on Police Forces as a result of Mental Health Issues but nothing that sets out exactly if Police are funded at all to deal with some of these demands or whether they are actually picking up demand from other public sector services that are being funded to provide these services/support but are not doing so and therefore the police are filling the gaps and picking up the fallout from other services not delivering.

Until this is answered it is difficult to have a sensible debate on what indicators should then be included in the model.