



Reference No: **86-2015**

THE POLICE & CRIME COMMISSIONER FOR CLEVELAND

DECISION RECORD FORM

REQUEST: Approval and Publication of Police & Crime Commissioner's Response to Funding Formula Consultation

Title: Police & Crime Commissioner's Response to Consultation on Reform of Police Funding arrangements in England and Wales

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

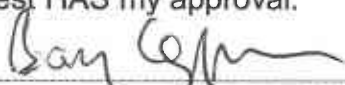
I have been consulted about the decision and confirm that financial, legal, and equalities advice has been taken into account. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner.

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 Copping****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

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.

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.

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?

Neither agree nor Disagree

Given that the consultation paper contains no statistical information or exemplifications, and hence no information on the robustness or magnitude of the proposed changes, it is almost impossible to agree to this. While the uncertainty naturally leads to the need for more information before any informed feedback can be provided it is important that the impact of the proposed formula is shared quickly, even if it isn't implemented in 2016/17. PCC's and Force's need multi-year settlements with the impact of both the Funding Formula and the impact of any transitional process known when the Force level allocations are announcing in December 2015. The alternative is that each PCC/Force will assume they will lose funding as result of the review and this uncertainty will lead to unnecessary cuts in some areas and in other areas plans that do not cut far enough quickly enough.

The current process does not allow any planning and a funding formula review only amplifies the uncertainty and inability to plan a vital public service in an appropriate way. Areas are already planning on the basis of significant cuts in funding. Those who will lose from the formula review, face what may be an unachievable saving to make in year. Conversely those who would gain will have no opportunity to ramp up delivery or increase headcount in year. This could see a perversity whereby some cannot balance their books and/or use all reserves to bridge the gap and have no future investment opportunity, while others have significant underspends and build up large reserves in one year.

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

As the consultation paper contains no statistical information or exemplifications, and hence no information on the robustness or magnitude of the proposed changes, it is impossible to provide a view on when the implementation should take place.

It is again re-iterated that PCCs and Forces need certainty over multiple years to plan effectively and enable the best service to be delivered based on the available resources.

It is unclear how the debate on reshaping policing and the impact of devolution, both of which could bring structural and democratic change to policing overall and police areas would impact on the funding formula. At present these do not appear to be joined up considerations or policy.

Chapter 7

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?

It is difficult to really assess what the Band D/Precept element 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.

Without understanding how the calculation will actually work it is impossible to realistically answer this question.

Please see the response in question 10 for further comments.

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?

Strongly Agree

No account should be taken of the actual levels of precept within a Police Force Area within the funding formula.

Chapter 8

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

In principle do not agree.

However given that there is no impact assessment or detail on relative need comparators this is not evidenced. It could be that it should not be enhanced but reduced.

Chapter 9

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.

Agree

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

There is a clear rationale that if the funding formula determines that certain areas should 'gain' from the change that this should happen straight away. It will be difficult to justify a scenario where a revised funding allocation is damped meaning a Police Force has to continue to cut services purely as a result of them not receiving the funding that has been determined that they should to 'protect' those areas that are losing.

So those who gain should be moved to their new funding allocation straight away.

Those who would 'lose' from the funding formula should have this damped, however this should be new money and should not be taken from the overall policing budget and/or from other Policing Areas.

Planning is essential and cuts and reshaping services have to be sustainable or pump priming will become inevitable. Areas are already planning on the basis of significant cuts in funding. Those who will lose face what may be an unachievable saving to make in year. This could see a situation where some cannot balance their books and or use all reserves to bridge the gap and have no future investment opportunity

On a very practical basis it takes time to either recruit or remove headcount. The particular terms and conditions of police officers exacerbate this. It also takes time to make savings and spend budget. Transition should not be in unrealistically short timescales or poor decisions and waste will occur. However without a clear path of transition we could easily end up in a situation whereby there is another Police Funding Formula that is never actually fully implemented and therefore credibility then becomes an issue.

21. Which of the transitional options should be applied?

- i. Option 1 - Gradual
- ii. Option 3 – Enabled

Option 2 - Required
Other – please specify

Option 1 – Gradual. This is equitable and does not have perverse incentives such as deferring decisions or protecting/penalising based on past decisions. It is the better option both for those who would gain and those who will suffer reductions.

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

Option 3 is not supported and the factors are divisive. This could significantly affect collaboration arrangements and effective joint working.

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

Option 3 is not supported and the factors are divisive. This could significantly affect collaboration arrangements and effective joint working.

Introduction

Cleveland Police welcome this consultation but believe the debate will be severely and adversely affected by a lack of similar consultation and consideration of the ability of PCCs to alter the level of funding raised locally.

In addition we also believe that considering the redistribution of significantly reduced and reducing police funding without a transparent and appropriate consideration of the cumulative impact of cuts in other public sector bodies is flawed. It will only serve to widen the inequalities between the most deprived (and arguably most vulnerable) communities and those in the least deprived areas with the associated consequences documented by researchers and other commentators.

Cleveland Police have answered the questions as posed and without reference to the budget cuts in the previous CSR and the cuts to come. We have been asked to supply the Home Affairs Committee with information about our response to our reducing budget and we have included that letter in our response to this consultation.

We are aware that the Home Office has received information from another force in recent weeks that seeks to highlight us as an expensive outlier and questions our arrangements for business support services. We would make the following comments with regards to that submission:

1. There was no consultation with Cleveland before the paper was submitted to the Home Office and the analysis within it is flawed. Had we been asked we could have explained the data collected annually has been unable to accommodate our contractual arrangements with Sopra Steria. These contractual arrangements include a 'smoothed' payment of several million pounds across each year of the lifetime of the contract for the installation of four major IT programmes in the first 9 -12 months of the contract (i.e. in 2010/11). These programmes moved the force onto Storm, Oracle, introduced mobile data before the majority of other forces and implemented Niche case & custody. Because of the rules around the annual data return these 'smoothed' costs have to be included in the yearly costs for the 'delivery of services'. They affect the cost per head of workforce or per head of population of services such as HR, but are not a like for like cost with other forces.
2. Cleveland Police and Cleveland Police Authority entered into the first and one of (if not still) the largest private/public sector contracts in policing in 2010. Sopra Steria deliver not only business support functions but also areas such as the control room and criminal justice. This contract was entered into at a time before the full extent of future budget cuts were known. We would submit that although the Police Authority agreed the contractual arrangements which now cause us some difficulty in significantly reducing our costs, it was done with the knowledge and encouragement of Home Office as a flagship

innovative programme and the force should not now be castigated or financially penalised for leading the way.

We are not asking for special treatment we are however, on behalf of the communities and individuals we serve, asking to be treated fairly, recognising our pioneering spirit.

Cleveland Police works within a number of collaborative partnerships in the North East and recognises the vast differences between the forces engaged in this work. In order to understand our answers below we would highlight the following information about our own force:

- We cover the second smallest geographic area after the City of London and have a low population of around 560,000 compared to other forces.
- We are in the group of 'small' forces but have a relatively high number of police officers per head of population compared to others. This reflects a deliberate plan rather than a quirk of recruitment and reflects the high levels of crimes, criminality and the types of offending in Teesside.
- The most similar group of forces (MSG) used to assess our performance across a range of crime, business and community based indicators is Greater Manchester Police, West Yorkshire Police, Merseyside Police, Northumbria Police and Humberside Police. All of us face challenges linked to deprivation and high density urban populations.
- We cover four unitary local authority areas. Whilst each is unique there are common demands across the whole police area such as the CGC assessed higher than average levels of mental health needs. We do not have the complexity of managing the competing demands of a large rural area and urban areas, but we do have to manage the increasing demands from deprived and under resourced communities across the whole of our area.
- Our analysis of criminality committed in our area indicates that we export very little to other forces. Crime is committed in the main by local people and by those from other force areas (usually from our MSG).

We also work closely with our public sector partners. We highlight the following points as we believe they are relevant to our submission:

- Information published by the North East Local Authorities demonstrates the disproportionate adverse impact of budget settlements across the public sector in our area.
- We have worked hard with our public sector partners to ensure we 'shrink together, not apart' for the sake of those we serve. We are however stretched to a point where the gaps through which the most vulnerable can slip are becoming too wide. Like many forces and local authorities we are conducting significant historic abuse enquiries.

Whilst this will decrease in years to come, in the medium term the impact of funding these joint investigations for all agencies involved will mean that today's work will increasingly not be done today, leading to a depleted service for current victims.

- Many community posts have been withdrawn across all agencies as part of the response to the previous CSRs. Cleveland Police have worked hard to maintain a high number of officers and police staff in frontline, visible posts. We will not be able to sustain this going forward.

Cleveland Police believe that three factors should underpin the redistribution of the police grant:

1. The indicators should focus on the percentage of the population or relative impact on the population rather than pure numbers. For example, a high percentage of workless households in a small population should have more weight in the formula than a high actual number of households in a larger population which is in fact a smaller percentage of that population. (see the answer to question 3)
2. The redistribution and/or the CSR should be capable of taking into account and responding to the policing needs of vulnerable communities where the cumulative adverse impact of cuts and adjustments across the relevant public sector budgets (e.g. health, social care, environment, community safety, adult and children's services) is greatest.
3. There should be a transparent (public) and direct link between the actual and potential risks and threats of harm to individuals and communities and the distribution of the police grant. Policing services should be directed towards and immediately available to those communities that need it most (using an evidence based approach).

Questions to be answered

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

(i) Strongly agree

The current funding arrangements are largely opaque and even where it is possible to see a relationship between the indicators and funding, the current indicators fail to recognise the increasing complexity of policing or the growing expectations of the public. As other partners and the third sector continue to downsize and withdraw from areas of work due to their own financial constraints it is critical that everyone is clear what police forces are funded to deliver and what they are not. If funding is to support the police's primary role of saving life and protecting people from harm then funding distribution should be based upon indicators that differentiate the levels of harm and risk to people within local communities (and/or Local Authority areas).

Previous reductions in budget have led to the police withdrawing from those areas of work where we felt we had a legitimate interest on behalf of the public but that were

not critical to immediately tackling those things measured by traditional (limited) crime based indicators. One such area would be schools liaison and safer schools officers; clearly important work, particularly in preventing offending in the future, but not urgent or critical to delivering today's performance or today's outcome.

Further reductions in budget will mean that forces such as Cleveland will now be considering reductions in service areas which we consider to be important and critical to achieving positive outcomes for those most at risk from crime or anti-social behaviour today. An example might be a delay in tackling the supply chain of opiates or crack cocaine in Middlesbrough due to a lack of officers or technology. (The use of these drugs in Middlesbrough is unusually high and subject of current Home Office/local public sector activity). In terms of traditional measurement this delay might equate to one or two fewer offenders brought to justice but the real damage is the inherent corrosive threat, from organised crime groups, to our communities and vulnerable individuals within them.

As we contract and at the same time reach out to become more integrated with other forces and other service providers there needs to be public and professional clarity about what is and what is not centrally funded and the legitimate work of the police. This does not need to be, neither should it be, about specific operational areas, but should reflect the role of the police service to protect vulnerable people and communities as much as it is about enforcing the law. The formula by which central grant is distributed to forces should therefore be open and transparent reflecting the generally accepted evidence used by other public sector bodies about the levels of individual and community vulnerability in an area. At present it does not.

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?

(ii) Agree

The decision about legacy grants must take account of the conditions on which they were accepted. Those conditions were clear, that they were for a specified time after which they would stop and that acceptance of a legacy grant would have negative impact on the precept baseline going forward compared to a % increase in policing precept.

Forces, Police Authorities and Police & Crime Commissioners knew these conditions when considering the impact on local people of raising the police precept or accepting the grant in lieu. They should not expect legacy grants to be added to their local policing funding stream. Indeed the expectation would be that the legacy grants are removed from all funding streams. The inclusion of the legacy grants in the main grant is therefore a welcomed position not only for those forces but for all forces as it increases the main grant.

If the legacy grants are not part of the overall amount available for distribution some members of public will be unfairly treated. In an area where members of public saw an increase in their police precept there are two main likelihoods:

1. They have paid more over the last few years, the legacy grants in other forces are not included and therefore the overall amount for redistribution is smaller,

their own force receives a reduction through the formula, their force receives less of a smaller pot of money and yet they have also seen an increase in their own contribution in recent years or

2. They have paid more over the last few years, the legacy grants in other forces are included in the central grant to be redistributed, their force receives less money in the new model, however because the central grant is larger that reduction is smaller than in 1.

In those areas where members of the public did not see a rise in their police precepts there should have been no expectation of the force retaining the legacy grant. Therefore the additional money in the starting positions of forces and the overall police grant by including the legacy grants is a more favourable position. Members of the public who have not paid more in precept in recent years may still see their force receive less via the model but because the legacy grants have been included it will be less than if the grants had been stopped as planned when initially accepted.

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 Agree

The model must be analytical sound. It should be based on statistics and indicators readily available to all and the calculation should be capable of replication by those reasonably proficient in using analytical methodology.

The meaning of the word 'objective' should be the standard dictionary definition of 'influenced only by facts and not by feelings'. There should therefore be a clear and transparent relationship between each part of the formula (and the end result) and the facts which are used. This necessity to be objective should not however drive the formula to rely solely on numbers. The Care Quality Commission for instance uses phrases such as 'above the average' in the data sets about mental health crisis care. Numbers should be supplemented by a transparent weighting system that indicates the impact of those facts on policing in any given area.

This is highlighted by the proposed inclusion of the number of households with no working adult and dependent children. Numbers are not an indicator of impact. The Office for National Statistics provides workless household data as both a percentage and a number (thousands). The figures given for April- June 2014 illustrate that numbers alone are not a sufficient indicator of the impact on policing of workless households. For the North East the percentage of workless households is 21.2% (the highest), whilst the number is 186,000 (second lowest).

We would contend that having a greater percentage of workless households is the more accurate indicator of high need within a community which translates into increased demand for policing and other public sector services.

Principle 2: Stable Partially agree.

The model should be capable of predicting and monitoring significant changes in any of the indicators, but especially those that affect all public sector provision such as population changes. There should be a tolerance factor over or below which results in a review being triggered of either affected forces or all forces funding. There should be an open and transparent process with set time periods i.e. reviewed every 5 years to allow for multi-year settlements and forward planning.

Principle 3: Transparent
Strongly agree.

However transparency should not be used as an excuse for simplicity. It is possible to be transparent and sufficiently sophisticated to ensure that the funding model reflects community needs and vulnerabilities. A requirement to be 'easy to understand' could be seen as a need to rely on an over simplification of policing activity. The relative spend on a murder case (one crime) as against a car theft (also one crime) needs to be taken into account.

If the model requires the 'support of key partners' there should be reciprocal arrangements for their funding to have the support of the police/ Police & Crime Commissioner. A one-sided arrangement encourages the currently held view that partners can withdraw from significant areas of work and leave the police to pick up the pieces. Being transparent does not require 'support'; it requires a determination to be open.

The principle contains two areas that both need to be transparent. The model used to allocate the funds and the process by which the model is applied. This is best illustrated by the current arrangements where the model is opaque, but the adjustments known as 'floors and ceilings' are more easily understood. However the lack of trust and knowledge about the model drives suspicion about the fairness of the adjustments and therefore the whole thing, the funding model and the process of applying it, is called into disrepute.

Principle 4: Incentivising Government objectives
Disagree.

The model should reflect identified and quantifiable needs. Each area will be unique. It is not appropriate to 'incentivise delivery of Government objectives' via base funding unless those objectives are either high level enough or flexible enough to cater for local vulnerabilities and policing needs. There have been many examples of funding activity driving perverse outcomes. For example, for pure numbers the best way to reduce reoffending rates is to not arrest anybody who has previously offended within the relevant timescales. This is clearly totally unacceptable for victims and communities, but at one time, reward based funding went to those with the lowest reoffending rate rather than to those actively addressing reoffending who happened to have high rates as they tackled the issues.

Adoption of principle 4 can only be successful if it is linked to a more sophisticated model, there is a deeper understanding of the evidence base of what works, and

what does not, in delivering high level objectives. The allocation of funding also needs to transparently recognise the lag between activity and sustainable outcome. In addition, we strongly believe that top slicing should be kept to minimum.

***Principle 5: Future proof
Agree.***

The key here is 'enable' not dictate. The new funding model must not inhibit nor determine any changes required to structures, internally or more widely, should the relevant parties agree they are the best way forward. This includes establishing a mechanism for managing the inequalities in local funding through the council tax. The ability or otherwise of a PCC to raise funds through the council tax (e.g. due to number of Band D and above properties) should not inhibit collaborative ventures or structural changes where they are in the best interests of the local communities.

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

The ability to plan into the future and test whether the implementation of plans has resulted in the intended outcomes. The model should promote multi-year settlements that supports evidence based decisions which facilitates effective, long term workforce planning. This would enable forces to take full advantage of all the methods of entry to police officer roles as they could be aligned to retirements, workforce modelling and future skills gaps.

**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**

(6. 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?
Agree**

(8. n/a)

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

The consultation does not provide sufficient information to answer this question. It is difficult to make an assessment without understanding how the methodology will be applied in practice. There is insufficient information available to make meaningful comparisons between the proposed indicators and others that might be considered.

The lack of information about the details of methodology is disappointing and concerning given the proposed principles of transparency and robust objectivity.

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

The indicators proposed seem appropriate but the lack of detail inhibits further comment. As described above in the commentary above (workless households), the indicator may be appropriate and linked to an evidence base that it reflects real or potential, direct or indirect policing activity but the apparent use of numbers rather than relative level of such households makes the indicator less relevant as a differentiator between forces.

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

An indicator relating to the level of mental health illness in the population should be included. The link between mental health and policing is not new although it has gained more prominence lately. Those with long term conditions or learning issues are vulnerable to becoming victims of crimes, often repeat victims. Those with unusual behaviour or appearance can be stigmatised and harassed or their own actions reported as anti-social behaviour. The requirement for police intervention during times of crisis has always been a significant part of frontline work but has increased and attracted more focus as officer numbers diminish and many other agencies withdraw their provision. The CQC assess local authority areas across a range of indicators that would be capable of combining into an assessment that placed forces in bandings according to their levels of crisis and long term mental health conditions in the population they serve.

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

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

Mental health – see question 11

Major infrastructure (e.g. ports and airports above a certain size, miles of motorways, COMAH sites) that requires identifiable policing resources.

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?
Partially agree

Provided safeguards are built in to prevent communities suffering from forces having to make unplanned quick adjustments to cope with budget cuts as a consequence of the funding model on top of the CSR cuts the new funding model (once agreed) should be introduced at the earliest opportunity.

If this is not possible, and as a minimum, the data used in the current formula should be updated to the most recent available. The results should be made public with

explanatory notes as to why these indicators are used so that members of the public can see how much or how little they get for policing from the police grant compared to other parts of the country.

No changes should be made to the redistribution of the police grant via the funding formula without changes in the ability of PCCs to set police precept levels. The cap (and associated requirement to spend tax payers' money on a referendum) must be removed to enable PCCs to set police precept levels commensurate with the needs of local communities.

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

See above

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?

Strongly disagree.

Whilst strongly agreeing that differences in the ability to generate precept income should be reflected in the model, the proposed indicator does not do this.

A more appropriate indicator would be tax yield per force as used in the HMIC VfM indicators or, if there is a direct correlation between council tax yield and the socio economic indicators, remove this indicator and increase the socio economic weighting.

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 resulted from local decision making?

Agree

The levels of precept are historical legacies and taking them into account could delay the introduction of the new model. They should not be taken into account (how much that can be raised should be, see above) to reset the formula. However the problems associated with the differences across forces must be debated and considered within the wider conversation about police funding i.e. CSR.

The differences in the levels of precept and the differences in the actual amount raised by each 1% of police precept between forces are critical factors in the successful introduction of collaborative ventures, strategic alliances and other forms of close co-operation. This is particularly true where a collaborative venture sees a force as a net donor for a specific area of work for the greater good of operational delivery and wider collaboration, but locally there is political or public resistance based on a 'who pays more' argument.

There should be local variation in the level set informed by the knowledge of the income that will be generated by each 1%. This should remain with the Police and Crime Commissioners who should be given more freedom to set the police precept levels. However, there should also be a transparent process by which PCCs can request central financial assistance to 'equalise' the differences between forces where it can be demonstrated that it is a major barrier to further significant savings and/or collaborative alliances.

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

There is not enough detail available to make an informed assessment. However, in principle it seems inappropriate for the forces policing our capital to rely on a specific grant that could be withdrawn or significantly reduced for reasons other than an assessment of policing need i.e. a purely politically driven decision. As such, if it continues, there should be a transparent and published process by which any alterations can be made into the future.

19. To what extent do you agree or disagree that the transitional funding arrangements are necessary to move police forces to their new funding allocation?

Strongly agree

On its own the redistribution of the police grant would possibly be manageable within our current robust and innovative change programmes. Combined with the significant cuts expected in the forthcoming CSR and the lack of affordable mechanisms to downsize police officer numbers with speed the scale of the changes needed will require the removal of valuable policing activities. Without knowing the impact of the funding formula it is difficult to be specific but as we have high police officer numbers any front loaded reductions in addition to those we have and are planning for in readiness for the CSR will probably result in less or no PCSOs or the re-civilianisation of posts such as those in intelligence or analysis roles. Phased introduction will enable us to approach the changes in the planned and systematic way we have delivered the savings required so far.

20. How long should the transitional period last?

We would favour a layered approach that places forces in groups or bands according to the level of changes required. Those with the greatest level of change (both positive and negative) should have a transition period that matches the full CSR period or the period covered by the next PCCs elected in 2016, whichever is greater. Those with the least may be able to reach their adjusted budgets within say 2 years and the group in between over 3 or 4 years. The money required to make the adjustments could be largely matched within the bandings so funding taken from those with the

greatest loss is matched in both quantity and transitional time period with those who gain the most.

Where the funding changes lead to change in officer numbers the transitional process above might allow for transferring of officers (through an open process) thereby retaining skills and knowledge and allowing them to 'hit the ground running' rather than the coping with the built in delay of recruiting.

21. Which of the transitional options should be applied?

In order of preference

Enabled – see above answer at 20.

Required – for planning purposes.

Gradual.

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

Reserve levels – NO

% of total funding from precept – YES

Total funding per head of population in force area – YES but only if up to date numbers and recognises some populations have greater policing needs.

HMIC information – NO

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

Yes

- a) % change of police grant with those with greatest loss/gain having a longer transition period than those with smaller % change balanced with
- b) an assessment of the forces ability to alter the budget in the required timescale e.g. a particular workforce mix with financial and legal constraints of downsizing at speed or forces in private/public sector contracts above a certain % of the overall budget that require time to successfully and lawfully renegotiate the contract.



Jacqui Cheer

Chief Constable, Cleveland Police