



House of Commons  
Home Affairs Committee

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# **Reform of the Police Funding Formula**

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**Fourth Report of Session 2015–16**





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**Fourth Report of Session 2015–16**

*Report, together with formal minutes  
relating to the report*

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## Home Affairs Committee

The Home Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Home Office and its associated public bodies.

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Committee reports are published on the Committee's website at [www.parliament.uk/homeaffairscom](http://www.parliament.uk/homeaffairscom) and by The Stationery Office by Order of the House.

Evidence relating to this report is published on the [inquiry page](#) of the Committee's website.

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# 1 Introduction

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1. In England and Wales, each of the 43 police forces receives most of its funding in the form of central government grant. The largest share is allocated through the Police Grant Report which accounts for almost two-thirds of police funding, and in 2015/16 totalled £7.4 billion.<sup>1</sup> Funding is allocated to each force according to the Police Allocation Formula. The Government announced its intention to reform the formula in July 2015 and launched a consultation on this. We discuss this in detail in the next chapter.

2. The National Audit Office (NAO) states that from 2010/11 to 2015/16 the central government grant reduced by £2.2 billion, representing a 22% real terms reduction.<sup>2</sup> In addition, in preparation for the 2015 Spending Review, HM Treasury asked ‘unprotected departments’, such as the Home Office, to model for savings of between 25% and 40% in real terms, by 2019/20.<sup>3</sup> Police forces had been expecting a reduction in the grant of a similar scale.

3. The Metropolitan Police Commissioner, Sir Bernard Hogan-Howe, summarised the part played by the funding formula in evidence to us. He said that the central grant was the cake, the size of which was determined by the Spending Review; the funding formula was the method by which it was decided what size slice of the cake each force would get.<sup>4</sup>

4. The outcome of the Spending Review was announced by the Chancellor on 25 November; this resulted in a standstill in the total allocation for police funding.<sup>5</sup> A summary of the Spending Review impacts on police funding is set out in Chapter 7. However, the implications for individual police forces will not be known until the provisional Police Grant allocations are announced in late December. Prior to the Spending Review announcement, we discussed the potential implications of a reduction in funding with witnesses, including its interaction with the reform of the funding formula, and the possible impact on the police’s capacity to tackle terrorism, in the wake of the Paris attacks on 13 November.

5. In addition to central funding, each force, via the elected Police and Crime Commissioner (PCC), can also raise funds through council tax in the form of the police precept.<sup>6</sup> Nationally almost a quarter of gross revenue expenditure of police forces in England is expected to be raised by council tax in 2015/16. However the proportion of funding raised this way varies between police forces.<sup>7</sup> For instance, Surrey police raised nearly half of its income from council tax precepts, while West Midlands police raised only about 12% in this way, with most of the remaining 88% coming from central government grant. The Metropolitan Police Service and the City of London Police also receive National and International Capital City funding to reflect the additional costs of policing the capital.

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1 [Police funding, Briefing Paper CBP7279](#), 17 August 2015, House of Commons Library

2 National Audit Office, [Financial sustainability of police forces in England and Wales](#)

3 HM Treasury, [A country that lives within its means Spending Review 2015](#), p7

4 [Q189](#)

5 HM Treasury, [Spending Review and Autumn Statement 2015](#); see also HC Deb, 25 Nov 2015, [col 1373](#)

6 [Police funding, Briefing Paper CBP7279](#), 17 August 2015, House of Commons Library

7 [Police funding, Briefing Paper CBP7279](#), 17 August 2015, House of Commons Library

6. The real terms reductions in central grant to police forces as a whole has only varied between 24% and 26% since 2010/11 but the large differences between the proportions of funding raised through council tax means that the effect of the reduction in central government grant on individual forces has varied much more widely.<sup>8</sup> The NAO calculated that, once local taxation had been taken into account, the average reduction for forces as a whole was 18%. However, the range for real terms reductions for individual forces was from 12% for Surrey to 23% for Northumbria and West Midlands, the two forces most reliant on government grant.

7. We have received evidence concerning wider police funding issues, including the potential for generating savings through such measures as greater collaboration between forces, and with others. These are matters which we will return to when we look at police funding and performance more broadly. This Report focuses on the funding formula, and the process by which the Home Office has sought to reform it.

8. We announced terms of reference and issued a call for evidence on 18 September 2015. We received nearly 30 written submissions. We took evidence from: Chief Constables, the Metropolitan Police Commissioner, and the National Police Chiefs Council; Police and Crime Commissioners; HM Inspectorate of Constabulary (HMIC); and the Minister for Policing and Home Office Permanent Secretary. We are grateful to all those who contributed to our inquiry. During our inquiry we were assisted by our specialist adviser, David Whatton; we are grateful for the advice he provided.<sup>9</sup>

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8 [Police funding, Briefing Paper CBP7279](#), 17 August 2015, House of Commons Library

9 Relevant interests of the specialist adviser were made known to the Committee. The Committee formally noted that David Whatton declared the following interests: Previously served in West Midlands Police, Greater Manchester Police and Cheshire Constabulary. No current financial interest in any police force.

## 2 Reforming the Funding Formula

### The existing Police Allocation Formula

9. The Home Office launched its consultation on reform of police funding arrangements in England and Wales on 21 July 2015. At the time the Minister, Rt Hon Mike Penning MP, said “the current model for allocating police funding, is complex, opaque and out of date. [...] This consultation sets out proposals to deliver a police funding model for the future which is fair, robust and transparent”.<sup>10</sup>

10. Much of the data underpinning the formula is over a decade old. It relies heavily on Activity Based Costing data which stopped being collected in 2008 and is linked to a local government funding model that no longer exists. In addition, ‘damping’, a means of smoothing funding allocations between years that was only ever intended to be a temporary measure, has become an ingrained part of the system.<sup>11</sup> West Midlands Police told us that damping had significantly reduced the funding it received, contributing to the financial challenge (see paragraphs 5 and 6 for details of the way in which damping affects West Midlands police).<sup>12</sup>

11. The Minister’s assessment of the current model was informed by an internal review undertaken by the previous coalition Government in 2012.<sup>13</sup> In fact, our predecessor Committee had concluded in February 2011 that there was a need for a new system that offered long-term predictability of funding.<sup>14</sup> The Minister’s assessment also reflected the views which police forces and PCCs had put forward over time.<sup>15</sup> The Minister told us in oral evidence in September that “all of the chiefs [...] said it was not fit for purpose. We have heard that time and time again”,<sup>16</sup> a view echoed by the Police and Crime Commissioners Treasurers’ Society (PACCTS).<sup>17</sup> Other police representative organisations also welcomed the consultation.<sup>18</sup>

**12. Successive governments have failed to tackle the underlying problems of the current police funding arrangements. This has resulted in the current funding formula becoming out-of-date and subject to ‘damping’ to such an extent that it is widely recognised as being ‘not fit for purpose’. The Minister for Policing’s decision to take on the challenge of reforming the police funding formula was urgently needed and is welcome.**

10 [“Minister for Policing launches consultation on police funding reform in England and Wales”](#), Home Office, 21 July 2015

11 Home Affairs Committee, Sixth Report of Session 2010–12, [Police Finances](#), HC 695, para 25

12 West Midlands Police ([POF0008](#))

13 HC Deb, 19 December 2012, [col 112-119WS](#)

14 Home Affairs Committee, Sixth Report of Session 2010–12, [Police Finances](#), HC 695, para 25

15 Home Office ([POF0006](#)), Association of Police and Crime Commissioners ([POF0020](#)), Merseyside Police and Crime Commissioner ([POF0021](#)), Greater Manchester Police and Crime Commissioner ([POF0022](#)), National Police Chiefs’ Council ([POF0024](#)), and Devon and Cornwall Police and Crime Commissioner ([POF0026](#))

16 [Q88](#), Oral evidence taken in the inquiry into Psychoactive substances, Tuesday 15 September 2015, HC 361. (The Minister appeared before the Committee during the inquiry into Psychoactive Substances; reform of the police funding formula was also discussed during the session.)

17 Police and Crime Commissioners Treasurers’ Society ([POF0016](#))

18 Association of Police and Crime Commissioners ([POF0020](#)), and National Police Chiefs’ Council ([POF0024](#))

## A proposed new model

13. The Home Office explained that three options were considered for the future allocation of the central grant: continuing with the current practice; upgrading the existing Police Allocation Formula (PAF); and creating a new, simplified model, based on population size and characteristics and the physical environment of the police force area. As the first option would move force level funding allocations further away from relative need, and the second option suffered from a number of unresolvable issues, and did not accord with the Government’s principles of a good funding model,<sup>19</sup> it was decided that an entirely new model was required.<sup>20</sup>

14. The Home Office told us that “to determine allocations a new funding model needs to draw on information which can help explain why demands on the police differ between force areas so that relative levels of required resources can be determined”. Therefore, the indicators supporting the model needed to meet several conditions in order to be analytically robust and relatively stable over time. The consultation proposed a “new simplified and transparent funding model” based on three broad elements that, while not themselves drivers of individual criminal activity, correlated highly and strongly with long term patterns of crime and overall police demand. These were:

- population levels;
- the underlying characteristics of a local population (indicated by data on households with no adults employed and dependent children, hard pressed population and Council Tax Band D equivalent properties); and
- the environmental characteristics of police force areas (indicated by data on the density of licensed bars in an area).

These variables were then assigned the following weightings.<sup>21</sup>

**Table 1: Weightings of the variables in the originally proposed model**

Variable	Weighting
Population volume	24%
Households with no adults employed and dependent children	25%
Hard pressed population	25%
Band D equivalent properties	16%
Bar density	10%

Source: Home Office

<sup>19</sup> In considering options for a new police funding model the Government has used a set of five guiding principles covering: robustness, stability, transparency, incentives and future proofing.

<sup>20</sup> Home Office ([POF0006](#))

<sup>21</sup> Home Office ([POF0006](#))

15. We received a number of criticisms of the new model. Katy Bourne, PCC for Sussex, said that the council tax based indicator did not take into account the current differences in funding for individual forces from precept.<sup>22</sup> She also criticised the licensed bars per hectare indicator.<sup>23</sup> Vera Baird, PCC for Northumbria, argued that, in a mixed rural/urban area such as hers, the measure under-represented the comparatively high bar density in city centres. Furthermore, she thought the methodology was too simplistic and arbitrary, that the number of indicators used was fairly limited, and that the non-crime workload was not covered.<sup>24</sup> Hampshire Constabulary requested further clarity on the methodology used to calculate the bar density ratio. They added that basing the calculation on bars per hectare alone might disadvantage forces with the same number of bars as other forces, but with a larger area of land to police. They believed that a fairer funding model should, therefore, make allowances for the increased costs of rural policing.<sup>25</sup>

### Proposed refinements to the new model

16. The Minister for Policing told us in September that the consultation had received 1,700 responses, and that the proposed model was being refined in light of this feedback. These refinements would then be sent to PCCs and Chief Constables for comment, along with an assessment of the force-level impacts, based on the funding for 2015/16. It was intended that this would enable the model to be finalised in time for implementation in 2016/17, the first year of the next Spending Review period.<sup>26</sup>

17. The key refinements to the model were that:

- the licensed bar density measure needed to account better for the overall volume of bars in a force area as well as the impact of large clusters of bars;
- the council tax base indicator did not meet the intended purpose, and that there was likely to be no effective way of capturing the ability to raise precept through the inclusion of a specific indicator, so this indicator was removed;
- a new indicator would be used to measure the highest levels of deprivation across all force areas;<sup>27</sup> and
- the model would reflect differences in regional costs through the application of an Area Cost Adjustment index.<sup>28</sup>

Following these proposed refinements, there was also an adjustment to the weightings as set out below. On 8 October these refinements were shared with forces and PCCs for a second stage of consultation, lasting three weeks.<sup>29</sup>

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22 We examine the level of Council Tax precept in Chapter 5

23 Sussex Police and Crime Commissioner ([POF0005](#))

24 Northumbria Police and Crime Commissioner ([POF0007](#))

25 Hampshire Constabulary ([POF0015](#))

26 [Oral evidence](#) taken in the inquiry into Psychoactive Substances, Tuesday 15 September 2015, HC 361

27 This is the 'urban adversity' version of CACI Limited's Acorn 5 indicator

28 Home Office ([POF0006](#))

29 Home Office ([POF0006](#))

**Table 2: Weightings of the variables in the revised model**

Variable	Weighting
Population volume	30%
Households with no adults employed and dependent children	31%
Urban adversity/Acorn 5	31%
Volume and density of bars	8%

Source: Home Office

18. The revised proposals were welcomed by some,<sup>30</sup> but a large number of concerns remained. PACCTS said the update was “still not clear enough”,<sup>31</sup> and Greater Manchester Police believed that many critical deficiencies still needed to be rectified.<sup>32</sup> The National Police Chiefs’ Council (NPCC) questioned what the evidence was for deciding that these were the correct variables, and whether the weightings were appropriate.<sup>33</sup> The Metropolitan Police Service (MPS) and the Mayor’s Office for Policing and Crime (MOPAC) joint submission criticised the removal of the tax base measure, and the formulation of the Area Cost Adjustment that was introduced. In addition, they said that the refinements had made a significant difference to the national distribution, which seriously undermined the credibility of the underpinning work.<sup>34</sup> Tony Hogg, Devon and Cornwall PCC, was the fiercest critic, and said:

The Government’s revised proposals issued two weeks ago are as flawed as their first iteration. It seems remarkable that the three variable measures in the proposed formula are two different but highly correlated measures of deprivation and a measure for bar density that is so poorly conceived it would be laughable were millions of pounds of police funding not dependent upon it.<sup>35</sup>

## Provision for London

19. The consultation said that, given the unique and additional challenges of policing London, it would be difficult to build a single funding model that could estimate appropriate allocations for the City of London Police Force (CoLP) and the Metropolitan Police Service (MPS). Following the first stage of consultation, the Home Office said they would remove the CoLP from the funding model, whilst the MPS would remain within it. The department also confirmed that the London forces would continue to be provided with National and International Capital City (NICC) funding to “reflect the unique and additional demands of policing the capital city”. The level of this funding would be determined through a bidding and scrutiny panel process.<sup>36</sup>

20. Some of the non-London forces were critical of this arrangement. David Jamieson, West Midlands PCC, agreed that London should receive a fair settlement but emphasised

30 Greater Manchester Police and Crime Commissioner ([POF0022](#)), and National Police Chiefs’ Council ([POF0024](#))

31 Police and Crime Commissioners Treasurers’ Society ([POF0016](#))

32 Greater Manchester Police ([POF0023](#))

33 National Police Chiefs’ Council ([POF0024](#))

34 Metropolitan Police Service and the Mayor’s Office for Policing and Crime ([POF0025](#))

35 Devon and Cornwall Police and Crime Commissioner ([POF0026](#))

36 Home Office ([POF0006](#))

this should not be to the detriment of other forces.<sup>37</sup> Others said that without clarity on the treatment of MOPAC and the NICC grant it was not possible to assess the total amount of funding available nationally,<sup>38</sup> whilst the NPCC told us it would be inappropriate to first run the general grant allocation and then adjust for shortfalls in funding for London.<sup>39</sup>

21. The MPS and MOPAC were also critical of the Home Office's plans. They told us that, whilst it was confirmed that there would be a revised NICC grant, there was no clarity on what it would contain or what the proposed amount would be. They concluded that the further information in the Minister's letter of 8 October, "rather than providing any clarity on the proposals, [...] only serves to provide further confusion about the future settlement for London".<sup>40</sup>

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37 West Midlands Police and Crime Commissioner ([POF0012](#))

38 Greater Manchester Police and Crime Commissioner ([POF0022](#)), and West Midlands Police ([POF0008](#))

39 National Police Chiefs' Council ([POF0024](#))

40 Metropolitan Police Service and the Mayor's Office for Policing and Crime ([POF0025](#))

### 3 The consultation process

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22. Whilst we have received criticism of the proposals for a reformed formula, the strongest criticisms have been reserved for the consultation process. These include:

This consultation was doomed from the outset as an honest attempt to engage Forces and PCCs in a debate about fair funding. We were [...] denied access to data that might have helped to understand how the proposal would work.<sup>41</sup>

The force would like to express its disappointment as to the way in which the consultation process has been handled. The process is fundamentally flawed which has prevented a meaningful consultation.<sup>42</sup>

The current review and consultation process has been deeply flawed and the proposals currently on the table from the Government are ill thought out and discriminatory.<sup>43</sup>

In this chapter we focus on the timing of the consultation and its transparency. In the next chapter, we examine the calculation errors made by the Home Office.

#### Rushed timescale

23. The public consultation was launched on 21 July 2015, and closed on 15 September, a period of 8 weeks. During that period the Home Office held six regional consultation events for the police finance community alongside regular engagement with key partners. Over 1,700 responses were received.<sup>44</sup>

24. The Policing Minister wrote to PCCs and Chief Constables on 8 October, three weeks after the consultation closed, providing details of the refinements, setting out for the first time the indicative force-level impact, and inviting further comments. The Home Office told us that the model would not be finalised until this further engagement had been completed.<sup>45</sup> This further update, in particular the exemplifications of the impact on force areas, was welcomed by PACCTS, who said “the absence of exemplifications was a key criticism in our response and it is to be commended that they have now been shared”.<sup>46</sup>

25. Some of the submissions we received criticised the consultation process for being rushed. PACCTS noted that it “only started in July 2015 [...] for an implementation next year”<sup>47</sup>, which West Yorkshire’s PCC said offered “limited time to properly understand the significant implications of these proposals”.<sup>48</sup> The NPCC noted that the consultation was held at the height of the holiday period,<sup>49</sup> while South Wales Police said the consultation “feels like an unnecessarily rushed process given the decades of inactivity over the formula to date”.<sup>50</sup> A stern warning came from Leicestershire Constabulary and the Leicestershire

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41 Merseyside Police and Crime Commissioner ([POF0021](#))

42 Greater Manchester Police and Crime Commissioner ([POF0022](#))

43 Devon and Cornwall Police and Crime Commissioner ([POF0026](#))

44 Home Office ([POF0006](#))

45 Home Office ([POF0006](#))

46 Police and Crime Commissioners Treasurers’ Society ([POF0016](#))

47 Police and Crime Commissioners Treasurers’ Society ([POF0016](#))

48 West Yorkshire Police and Crime Commissioner and West Yorkshire Police ([POF0014](#))

49 National Police Chiefs’ Council ([POF0024](#))

50 South Wales Police ([POF0019](#))

PCC, who said that the speed of the consultation might have consequences of imposing an ill-thought through funding model, making significant changes with only a few months to implement them, and with no chance to rectify errors and mistakes for several years to come.<sup>51</sup>

26. The Minister for Policing did not accept that the consultation was rushed. He explained that he would have preferred not to have run the consultation over the summer recess, but as the intention was to implement the formula in 2016/17, there was a time constraint. He added that the forces knew the consultation was coming.<sup>52</sup>

27. The Cabinet Office guidance on consultations states “the amount of time required will depend on the nature and impact of the proposal (for example, the diversity of interested parties or the complexity of the issue, or even external events), and might typically vary between two and 12 weeks”. It explains that the timing and length of a consultation should be decided on a case-by-case basis. However, timeframes should be proportionate and realistic to allow for considered responses, and where the consultation spans a holiday period (i.e. August), this should be taken into consideration.<sup>53</sup>

28. Mark Sedwill, Permanent Secretary at the Home Office, acknowledged to us in November that “the consultation process was quite compressed” but explained that this was because it could not start until after the General Election. The aim was to get a new formula in place for the 2016/17 spending round which, to meet a statutory requirement, meant that the final formula had to be announced before Christmas, and therefore “inevitably it was quite a compressed timetable”. He further acknowledged that it had been known from the outset that it would be extremely challenging to have the new formula in place within that timescale, but explained that it was “a Ministerial decision on official advice” to proceed.<sup>54</sup>

**29. This important review has been rushed. The police funding formula is clearly a complex matter, with wide-reaching consequences, so an appropriate amount of time should have been allocated to the review process, to allow detailed responses to be prepared and properly considered. Not to have done so is disrespectful to those who seek to engage with the Home Office. We appreciate that the Home Office was motivated by a legitimate desire to have the new funding formula in place for the start of the 2016/17 financial year. However, to allow only eight weeks for the consultation, over a period which spanned the summer holiday, underestimated the complexities involved and disregarded Cabinet Office guidance. It is regrettable that the Minister proceeded on this timescale, and it is unfortunate that he accepted that advice from officials. It is not surprising that, as a result, the process ended in chaos, with an Urgent Question in Parliament and the decision to suspend the whole review.**

## Implementation alongside the Spending Review

30. As explained above, the Home Office’s intention was to implement the new funding model from 2016/17 to fit with the start of the next Spending Review period. The department said “this reflects our and policing partners’ shared interest in replacing the

51 Leicestershire Police and Crime Commissioner and Leicestershire Constabulary ([POF0017](#))

52 [Q94](#), Oral evidence taken in the inquiry into Psychoactive Substances, Tuesday 15 September 2015, HC 361

53 UK Government, [Consultation Principles](#), October 2013

54 [Qs 25-26 and 67-68](#), Oral evidence taken on the work of the Home Office, 10 November 2015, HC 300

current outmoded arrangements at the earliest opportunity”. They argued that removing a model “which is not fit-for-purpose” would ensure allocations did not drift further away from relative need and would help to ensure that the impact of the Spending Review was distributed fairly.<sup>55</sup>

31. The West Midlands PCC told us that funding allocations from any revised formula needed to be introduced as early as possible, rather than relying on a system of damping.<sup>56</sup> Hampshire Constabulary also supported the implementation of a fair funding formula as soon as possible and, whilst it noted that the implementation date would not give much time for forces to make savings for the new financial year, believed that this was not uncommon.<sup>57</sup>

32. However, many submissions questioned whether the intended pace of implementation was too ambitious.<sup>58</sup> The NPCC said there was great concern about how the speed of transition, combined with the expected outcome of the Spending Review, would impact on forces. They argued that it was vital that both issues were taken together “when assessing whether it is possible to reduce funding to police forces at this level whilst still protecting the public”.<sup>59</sup> West Yorkshire Police and PCC echoed this point. They believed it was “totally unrealistic” to add further changes in the first year of the Spending Review period, which would act as a “double whammy” on police funding.<sup>60</sup>

33. PACCTS’s submission questioned whether there could be a manageable transition,<sup>61</sup> whilst the Greater Manchester PCC was concerned that, without suitable transitional arrangements, forces might be destabilised as a consequence of the combined changes to funding.<sup>62</sup> Lancashire Constabulary and PCC went so far as to question how some forces would bridge the financial gap in 2016/17, as there was insufficient time to deliver safe and sustainable savings.<sup>63</sup>

34. However, South Wales Police took a more sanguine stance. They told us that, given the lack of time available to allow forces to absorb the consequences, the allocation in 2016/17 would be heavily dampened to virtually negate the impact, and therefore questioned what the point was of “rushing out a new formula that has not had appropriate scrutiny”.<sup>64</sup> Sara Thornton QPM, CBE, Chair of the NPCC, made a similar point; she explained to us that the transition to the new formula would be over the period of the Parliament, and that it could be either front- or back-loaded. If the Home Office were to say there would be no transition in 2016/17, this would have the equivalent effect of a pause.<sup>65</sup>

**35. From the beginning of this consultation, the Home Office has set an implementation date which coincided with the start of the next Spending Review period. The Permanent Secretary has acknowledged that this would have been extremely challenging to have**

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55 Home Office ([POF0006](#))

56 West Midlands Police and Crime Commissioner ([POF0012](#))

57 Hampshire Constabulary ([POF0015](#))

58 For example see Metropolitan Police Service and the Mayor’s Office for Policing and Crime ([POF0025](#)), and Devon and Cornwall Police and Crime Commissioner ([POF0026](#))

59 National Police Chiefs’ Council ([POF0024](#))

60 West Yorkshire Police and Crime Commissioner and West Yorkshire Police ([POF0014](#))

61 Police and Crime Commissioners Treasurers’ Society ([POF0016](#))

62 Greater Manchester Police and Crime Commissioner ([POF0022](#))

63 Lancashire Police and Crime Commissioner and Lancashire Constabulary ([POF0018](#))

64 South Wales Police ([POF0019](#))

65 [Q181](#)

met. The prospect of a “double whammy” to funding, from the Spending Review and the formula review, created panic among PCCs and police forces and a genuine fear about whether they would be able to bridge the financial gap. This scenario could have been avoided, and it points to the disjointed way in which the review has progressed. In response to this Report, the Home Office should explain why it did not set out the transitional arrangements it envisaged putting in place, even by the late stage of the second round of consultation.

## Transparency

### *Original consultation*

36. In its written evidence, the Home Office stated “we have always been clear that we will only be successful in achieving our aim of building a fit-for-purpose and sustainable model with considerable input from policing partners”. However, the impression from the submissions we received was that police forces, PCCs and others were not able to contribute as much to the process as they wished, because the Home Office did not make all the necessary information available. Gavin Hales, Deputy Director of the Police Foundation, a policing think tank, summarised the consultation as being “remarkably light on detail in some key respects, which means the reader is necessarily disadvantaged”. He said “this was arguably most notable in the way that the Home Office has not ‘shown all of their workings’ in the analysis used to produce the proposed model”.<sup>66</sup>

37. Many of the submissions we received were concerned with the lack of exemplifications in the consultation document.<sup>67</sup> Vera Baird, Northumbria PCC, said “all that has been provided are ‘concepts’” and “I am being asked to respond without the understanding of the impacts on my force”.<sup>68</sup> Hampshire Constabulary said “the proposed new formula is currently more opaque than the model it is seeking to replace”.<sup>69</sup>

38. The Association of Police and Crime Commissioners (APCC) suggested there was a longer term issue, and emphasised their “disappointment about the lack of engagement between Home Office and PCCs over the last 2 years” in terms of the funding model. They believed that this was a missed opportunity, and that the gaps in explanatory and technical material had “made it impossible to arrive at a proper understanding of the proposals in the round, and the changes which will result”.<sup>70</sup>

39. The NPCC stated that the lack of detail provided by the Home Office “does appear to have reduced confidence in the review among forces”. They also noted that during the consultation period many requests were made to the Home Office for more detail, but that these garnered no response.<sup>71</sup> The NPCC said that, as a result, its own response to

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66 Police Foundation blog, [Police funding consultation: an opaque sticking plaster?](#) 28 July 2015

67 Sussex Police and Crime Commissioner ([POF0005](#)), West Yorkshire Police and Crime Commissioner and West Yorkshire Police ([POF0014](#)), Lancashire Police and Crime Commissioner and Lancashire Constabulary ([POF0018](#)), South Wales Police ([POF0019](#)), Association of Police and Crime Commissioners ([POF0020](#)), Greater Manchester Police and Crime Commissioner ([POF0022](#)), National Police Chiefs’ Council ([POF0024](#))

68 Northumbria Police and Crime Commissioner ([POF0007](#))

69 Hampshire Constabulary ([POF0015](#))

70 Association of Police and Crime Commissioners ([POF0020](#))

71 Greater Manchester Police and Crime Commissioner ([POF0022](#))

the consultation was lacking in detail “because we were unable to understand whether the formula appeared to be sound and also to assess its impact on individual forces”.<sup>72</sup>

40. Jane Kennedy, Merseyside PCC, told us a new model should only be introduced once there had been a proper consultation, “which this is not”, and that the opportunity to consult properly to improve the transparency of police force funding had been lost “which is a matter of great regret”.<sup>73</sup> Tony Hogg, Devon and Cornwall PCC, concluded that “given the fundamental importance of this policy to the safety and security of communities across the country we do not feel that consultation has been carried out in a proper manner”.<sup>74</sup>

41. The Cabinet Office guidance on consultations states “information should be disseminated and presented in a way likely to be accessible and useful to the stakeholders with a substantial interest in the subject matter”. It also suggests that sufficient information should be made available to stakeholders to enable them to make informed comments.<sup>75</sup>

42. The Minister for Policing explained to us that the Home Office had initially focused on the principles of the funding model, and that there would then be a second stage of consultation, which would include indicative figures. He said that in the initial consultation he had purposely not published extrapolations, because he did not want the consultation to become an argument between winners and losers.<sup>76</sup>

### *Subsequent refinements*

43. On 8 October the Home Office set out their proposed refinements to the new model and provided the indicative force level impacts in a letter from the Policing Minister. It was noted that this provided a greater level of transparency than previously available,<sup>77</sup> but it still lacked the detailed exemplifications that forces required to make a professional judgement.<sup>78</sup>

44. Tony Hogg, Devon and Cornwall PCC, told us that the second round of consultation was also inadequate, running for “just three weeks” and that it “is a private consultation with PCCs and Chief Constables”. He said that this was far too short a period given that it was the first time that data on the impact on forces had been released. He also criticised the Home Office for not providing any detailed information or rationale on the refinements which “severely hampered” his area’s analysis of the revised proposals.<sup>79</sup>

**45. We accept the Minister’s motivation that he did not want the consultation to descend into an argument between winners and losers. However, we believe that this was a misguided approach and that it was insulting to suggest that the default position of police forces would be to bicker on the basis of their own vested interests. The lack of transparency in the information provided for the consultation also meant that confidence in the review was lost. Furthermore, the process did not allow interested**

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72 National Police Chiefs’ Council ([POF0024](#))

73 Merseyside Police and Crime Commissioner ([POF0021](#))

74 Devon and Cornwall Police and Crime Commissioner ([POF0026](#))

75 UK Government, [Consultation Principles](#), October 2013

76 [Q112](#), Oral evidence taken in the inquiry into Psychoactive Substances, Tuesday 15 September 2015, HC 361

77 Northumbria Police and Crime Commissioner ([POF0007](#)), and Association of Police and Crime Commissioners ([POF0020](#))

78 Lancashire Police and Crime Commissioner and Lancashire Constabulary ([POF0018](#)), and Greater Manchester Police and Crime Commissioner ([POF0022](#))

79 Devon and Cornwall Police and Crime Commissioner ([POF0026](#))

parties to contribute in the level of detail they would have wished. This goes against the Home Office's statement that "we will only be successful in achieving our aim of building a fit-for-purpose and sustainable model with considerable input from policing partners". It is also regrettable that the department decided not to 'show its workings'. The Home Office stated on multiple occasions throughout this process that it wished to engage with police forces but then created a process which made it impossible for them to do so.

## 4 Calculation errors by the Home Office

46. Due to the lack of exemplifications in the original consultation, many forces and PCCs attempted to calculate themselves how they might be affected by the changes to the formula. Hampshire Constabulary assumed that a new formula would increase their funding, as they had lost funding in previous years due to damping, but because of the lack of data it had not been possible to make a more precise calculation.<sup>80</sup> Other areas, such as Northumbria, did provide an estimate, and they expected a reduction of up to 11%.<sup>81</sup> The NPCC told us that these calculation attempts had led to varying conclusions, many of which proved to be inaccurate.<sup>82</sup>

47. The Minister's letter of 8 October clarified the impact on forces, providing a breakdown at force level based upon 2015/16 levels of funding. This showed that 11 forces would lose from the changes, with the remaining 32 increasing their share. However, the NPCC told us that several Chief Constables were genuinely puzzled by the apparent winners and losers. Some forces that were set to lose were concerned about their ability to cope with significant formula reductions in addition to expected Spending Review reductions, whilst the Bedfordshire Chief Constable (Jon Boucher QPM) had expected to gain from the formula change, and was now extremely concerned about the Force's future viability.<sup>83</sup>

48. In response to the figures set out in the Minister's letter, the NPCC called on the Home Office, in conjunction with HMIC, to ensure that it had rigorously modelled and assessed the impact on losing forces, and that such cuts were possible while still maintaining a service to the public.<sup>84</sup> South Wales Police also urged the use of independent expertise "to ensure the deliberations are objective and academically rigorous", which would provide confidence that a new formula could genuinely meet its objectives.<sup>85</sup>

49. Devon and Cornwall PCC told us that they were unable to replicate the figures provided by the Home Office on the basis of any available data. During their replication attempt, they had to pay a substantial sum to gain access to the new 'Urban Adversity' data set which is only available through commercial subscription. They found that the percentage allocations from the Home Office contained basic errors and data inconsistencies. They also discovered that there were huge swings of up to 33% in outcomes for policing areas between the two consultations. This raised questions about the adequacy of the second round of consultation and the quality of the original proposals. They also questioned how the impact on individual forces could be accurately assessed, and whether any confidence could be placed in the figures provided by the Home Office, and they concluded that the review process should be re-run.<sup>86</sup> On 27 October, Devon and Cornwall PCC, along with five other PCCs and the Deputy Mayor for Policing and Crime in London, sent a joint letter to the Minister of Policing, informing him that they were taking legal advice with a view to initiating a judicial review.<sup>87</sup>

80 Hampshire Constabulary ([POF0015](#))

81 Northumbria Police and Crime Commissioner ([POF0007](#))

82 National Police Chiefs' Council ([POF0024](#))

83 National Police Chiefs' Council ([POF0024](#))

84 National Police Chiefs' Council ([POF0024](#))

85 South Wales Police ([POF0019](#)), and Greater Manchester Police and Crime Commissioner ([POF0022](#))

86 Devon and Cornwall Police and Crime Commissioner ([POF0026](#))

87 North West Evening Mail, [Letter to Mike Penning](#), 27 October 2015

50. On 2 November, Andrew White, Chief Executive of the Office of the Police and Crime Commissioner for Devon and Cornwall, wrote to Mary Calam, Director General of the Crime and Policing Group at the Home Office, with a series of questions arising from further technical information that the Home Office had provided. He also explained that his team had been “unable to reconcile the Urban Adversity allocations using the most recent data set from ACORN”.<sup>88</sup> On 5 November, he received a response from Mary Calam, which stated:

I am grateful for you bringing this issue to our attention and, after further investigation, I should confirm that the data used in calculating the indicative shares with the Minister’s letter was, in fact, the older ‘Hard Pressed’ classification of CACI Limited’s ACORN 5 measure.

The response welcomed that the further engagement had the “benefit of raising these particular points”. It also stated:

You will appreciate that these exemplifications were provided to all PCCs and Police Chief Constables shortly after the end of the public consultation, at which time our quality assurance process was ongoing. This will, of course, be completed and all data sources and calculations rigorously tested before any final decisions on allocations are made.<sup>89</sup>

On 16 November, Mary Calam wrote to all police forces apologising for the Home Office error.<sup>90</sup>

51. Devon and Cornwall OPCC estimated the impact of the Home Office calculation error on police forces, as set out in the table below.

**Table 3: Estimate by the Office of the Devon and Cornwall Police and Crime Commissioner on impact on forces of Home Office calculation error<sup>91</sup>**

Police Force Area	Home Office Exemplification (based on ‘Hard Pressed’)		Exemplification (based on Urban Adversity’)		Difference in allocation £m
	Percentage allocation	Estimated £m allocation	Estimated percentage allocation	Estimated £m allocation	
Avon & Somerset	2.29	£162.6	2.26	£160.6	–£2.0
Bedfordshire	0.90	£63.9	0.91	£65.0	£1.1
Cambridgeshire	1.05	£74.6	1.00	£71.1	–£3.4
Cheshire	1.56	£110.8	1.48	£105.1	–£5.7
City of London	0.74	£52.6	0.74	£52.3	–£0.3
Cleveland	1.27	£90.2	1.24	£88.2	–£2.0
Cumbria	0.71	£50.4	0.63	£44.6	–£5.8

88 Home Office and the Office of Devon and Cornwall PCC correspondence ([POF0030](#))

89 Home Office and the Office of Devon and Cornwall PCC correspondence ([POF0030](#))

90 See Annex to Letter to the Chair from Mark Sedwill, Home Office Permanent Secretary, [25 November 2015](#),

91 Devon and Cornwall OPCC noted that it had shared this data with the Home Office but that the Home Office had not commented on the accuracy of the figures, or provided its own figures.

Police Force Area	Home Office Exemplification (based on 'Hard Pressed')		Exemplification (based on Urban Adversity')		Difference in allocation £m
	Percentage allocation	Estimated £m allocation	Estimated percentage allocation	Estimated £m allocation	
Derbyshire	1.70	£120.7	1.51	£107.6	-£13.1
Devon & Cornwall	2.16	£153.4	2.16	£154.0	£0.6
Dorset	0.87	£61.8	0.88	£62.3	£0.6
Durham	1.17	£83.1	0.99	£70.4	-£12.7
Dyfed Powys	0.70	£49.7	0.60	£42.5	-£7.3
Essex	2.46	£174.7	2.45	£174.1	-£0.5
Gloucestershire	0.75	£53.3	0.69	£49.3	-£3.9
Greater Manchester	6.01	£426.8	6.18	£439.7	£12.9
Gwent	1.12	£79.5	0.94	£66.7	-£12.8
Hampshire	2.62	£186.1	2.69	£191.4	£5.4
Hertfordshire	1.62	£115.0	1.52	£108.5	-£6.6
Humberside	1.61	£114.3	1.69	£120.0	£5.7
Kent	2.53	£179.7	2.69	£191.1	£11.5
Lancashire	2.20	£156.2	2.43	£172.7	£16.5
Leicestershire	1.48	£105.1	1.44	£102.7	-£2.4
Lincolnshire	0.95	£67.5	0.94	£66.9	-£0.6
Merseyside	3.26	£231.5	3.26	£232.1	£0.6
MOPAC	20.23	£1,436.6	22.74	£1,617.8	£181.2
Norfolk	1.20	£85.2	1.16	£82.3	-£2.9
North Wales	1.06	£75.3	0.88	£62.8	-£12.5
North Yorkshire	0.92	£65.3	0.85	£60.2	-£5.1
Northamptonshire	1.01	£71.7	1.03	£73.2	£1.4
Northumbria	3.11	£220.9	2.87	£204.4	-£16.5
Nottinghamshire	2.03	£144.2	1.82	£129.8	-£14.3
South Wales	2.37	£168.3	2.15	£152.9	-£15.5
South Yorkshire	2.95	£209.5	2.54	£181.1	-£28.4
Staffordshire	1.79	£127.1	1.65	£117.8	-£9.4
Suffolk	0.96	£68.2	0.95	£67.6	-£0.6
Surrey	1.34	£95.2	1.29	£91.6	-£3.5
Sussex	2.04	£144.9	2.18	£155.2	£10.3

Police Force Area	Home Office Exemplification (based on 'Hard Pressed')		Exemplification (based on Urban Adversity')		Difference in allocation £m
	Percentage allocation	Estimated £m allocation	Estimated percentage allocation	Estimated £m allocation	
Thames Valley	2.97	£210.9	2.96	£210.8	-£0.1
Warwickshire	0.72	£51.1	0.71	£50.6	-£0.5
West Mercia	1.68	£119.3	1.54	£109.6	-£9.7
West Midlands	6.63	£470.8	6.22	£442.5	-£28.3
West Yorkshire	4.34	£308.2	4.24	£302.0	-£6.2
Wiltshire	0.91	£64.6	0.90	£64.2	-£0.4

Source: Devon and Cornwall OPCC

52. We commend the work of Andrew White, Chief Executive of the Office of the Police and Crime Commissioner for Devon and Cornwall, in bringing to light the calculation error that the Home Office failed to identify. It would be amusing if it were not so serious that Mr White was able to unravel the entire funding model in a way that made the Home Office look foolish. It is reprehensible that the response of the Director General of the Crime and Policing Group at the Home Office, Mary Calam, to Mr White did not include any apology for the mistakes made by the Home Office, nor does it appear to address the implications of the error. Although Mary Calam did write later to apologise to police forces for the error, this seems to us to represent too little action, too late. The Home Office should also consider compensating PCCs for the costs they incurred to gain access to the "Urban Adversity" data which the Home Office used in its calculations but which were only available to PCCs through commercial subscription.

53. Mark Sedwill, the Home Office Permanent Secretary, told us that he first became aware of the calculation error in the early evening of Friday 6 November, at around the same time as the Minister for Policing and the Home Secretary.<sup>92</sup> The story also started to reach the media on the Friday evening, and the error was reported in *The Independent* on Saturday 7 November.<sup>93</sup> On Monday 9 November, the Chair of this Committee was granted an Urgent Question in the House of Commons on the matter. In response the Minister for Policing said:

I am sad to say that during this [funding formula consultation] process a statistical error was made in the data used [...] [W]e recognise that this has caused great concern to police forces around the country. I and the Government regret the mistake, and I apologise to the House and to the 43 authorities. [...] For that and other reasons, the Government are minded to delay the funding formula changes for 2016-17.<sup>94</sup>

92 Qs 6-7, Oral evidence taken on the work of the Home Office, Tuesday 10 November 2015, HC 300

93 *The Independent*, [Police cuts: Funding reforms branded a 'shambles' as Home Office admits it used old data](#), 7 November 2015

94 [HC Deb, 9 Nov 2015](#), col 26

The Minister emphasised that he would be considering the next steps in conjunction with police leaders, and committed to updating the House in due course.<sup>95</sup>

54. Mark Sedwill told us that, as the Home Office accounting officer, he took this matter seriously and personally, and that the department was “going to get to the bottom of it and we are going to correct it”.<sup>96</sup> He said he needed to find out exactly how the error occurred, why the significance of it was not realised immediately, and therefore why it was not brought to his and Ministers’ attention.<sup>97</sup> A management review, led by a senior and experienced director would take place to examine the e-mail audit trail and ascertain who knew what and when. He told us that the review would take a few weeks, and that we would be informed of the conclusions and the actions to be taken.<sup>98</sup>

55. Stephen Greenhalgh, Deputy Mayor for Policing and Crime in London, told us he was “delighted that there has been this pause” whilst Sir Bernard Hogan-Howe, the Met Commissioner, said he was “relieved”.<sup>99</sup> Sir Thomas Winsor, Her Majesty’s Chief Inspector of Constabulary, suggested it was likely that there would be a re-consultation, which would allow police forces and PCCs to test the model against Home Office and alternative data.<sup>100</sup>

56. Sir Bernard Hogan-Howe thought that including the input of an independent element might be helpful. Their role could include explaining how the criteria within the funding model would be decided, and what the correlation was between those factors and the work of the police.<sup>101</sup> Mark Sedwill suggested that this might be the approach that the Home Office takes. He told us “we need to [...] increase the independent scrutiny” and “consider whether we need further independent expert scrutiny from outside”. He emphasised that Ministers were considering these options.<sup>102</sup>

**57. It is deplorable that Home Office officials made errors in calculating the funding allocations for police force areas. The Minister was right to apologise to the House for the mistake. However, the Home Office was wrong not to have made a Statement to Parliament and wrong to have suggested that it was not an Urgent matter to be dealt with on the same day in the House. The Permanent Secretary was unable to explain to us on what basis this advice was given to the Speaker when the application for an Urgent Question was made in the usual way.**

**58. As a result of the Home Office’s error, confidence in the process has been lost; time, effort, resources and energy have been wasted; and the reputation of the Home Office has been damaged with its principal stakeholders. We welcome the Permanent Secretary’s commitment to keep us informed about the outcome of the review he has set up to establish what went wrong and his statement that disciplinary action should be taken where serious errors are found to have been made. He must report back to us before Christmas 2015. We will be undertaking further work on police funding and the formula review once decisions have been taken by the Home Office on what action to take. As part of this, we will keep the action points resulting from the review under ongoing scrutiny.**

95 [HC Deb, 9 Nov 2015](#): col 26

96 [Q5](#), Oral evidence taken on the work of the Home Office, Tuesday 10 November 2015, HC 300

97 [Q8](#), Oral evidence taken on the work of the Home Office, Tuesday 10 November 2015, HC 300

98 [Qs 11 and 31](#), Oral evidence taken on the work of the Home Office, Tuesday 10 November 2015, HC 300

99 [Qs 11 and 34](#), Oral evidence taken on the work of the Home Office, 10 November 2015, HC 300

100 [Q253](#)

101 [Q193](#)

102 [Qs 1 and 20](#), Oral evidence taken on the work of the Home Office, Tuesday 10 November 2015, HC 300

59. The lead Home Office official in respect of these matters, Mary Calam, replied to the 2 November letter from the Office of the Devon and Cornwall PCC on 5 November. She accepted the error in the Home Office's calculations but she clearly did not understand its seriousness as she did not refer the matter to Ministers until the day after her reply to Devon and Cornwall PCC had been sent. In fact, the error meant that, at a single stroke, police forces which believed that they would be winners became losers and vice versa. Improvements in the Home Office's internal communications are clearly needed.

60. The Home Office's objective of a transparent system is welcome. To facilitate this, certain pre-conditions for calculations in any future review of the funding formula should be established. Any data used must be made available to PCCs, Members of Parliament and other stakeholders well in advance. The Home Office should also make efforts to show how they arrived at figures in a clear and precise fashion. Had the Home Office provided more detail around their calculations and methodologies, forces might not have felt the need to hire consultants to assess the implications of the funding formula or, in the case of Devon and Cornwall, to pay for the use of an external database.

61. We recommend that, during the pause in the review process, an independent panel be appointed to assist the Home Office in formulating revised proposals. We recommend that a member of the following organisations be appointed to that panel:

- The Chartered Institute of Public Finance and Accountancy (CIPFA—which has a police panel that advises forces and PCCs)
- The College of Policing
- The Institute for Fiscal Studies
- Grant Thornton and PriceWaterhouseCoopers (which provide external audit to a number of forces and PCCs and therefore have an understanding of financial risk within policing)
- The Royal Statistical Society.

We hope that with this expert input the shambles we have seen so far can be remedied.

## 5 Principles of a good funding model

62. The Home Office consultation explained that the department reviewed police funding methodologies in other countries and funding models currently used by other UK Government departments to determine whether they might be applicable to police funding. This research helped to develop a set of five guiding principles for a new funding model: robustness, stability, transparency, incentives and future proofing.<sup>103</sup> The Home Office told us “Our objective has been to identify the model that best accords with [these] [...] principles and is based on an understanding of the drivers of crime and police demand”.<sup>104</sup> We have published written evidence, which includes comments on each of these principles. However in this Report, we have focused on whether the proposal could be considered a good funding model.

### A good funding model?

63. In terms of the approach taken by the Home Office, the APCC supported the promotion of transparency and simplicity as concepts. However, they argued that policing was a complex service, and minimising the number of indicators in the grant distribution formula was not a positive sign that the wide variations in local needs had been provided for.<sup>105</sup> Tony Hogg, Devon and Cornwall PCC, said the model was not simple, but simplistic and that, whilst simplification should be one of the overall goals of the reform, “this should not be at the expense of quality”. His belief was that the Home Office had gone too far: “in making the formula simple they have made it deeply unfair”.<sup>106</sup>

64. South Wales Police told us it was surprised that equity did not feature as a principle, as they thought a funding formula should be perceived to be fair.<sup>107</sup> Hampshire Constabulary also noted that the guiding principles did not include fairness, “despite the Minister stating that the new model would be ‘fair’”. They told us that if the model did not seek to be fair then there was little chance that funding would be disbursed equitably as factors such as stability were included as a principle.<sup>108</sup>

65. Jane Kennedy, Merseyside PCC, said the new formula did “superficially appear to offer a simpler and more transparent model than the existing formula”. However, she referred to the following comments made by PricewaterhouseCoopers (PwC) within a review of the proposals they were commissioned to undertake by West Midlands Police and four other forces:

[They] have identified a number of issues associated with both the methodology used for the proposed new funding formula and the variables it includes (and excludes) that create significant risks that the formula will not help the Home Office deliver its objectives of a fair, transparent, and stable allocation of funding between forces and that “there appears significant risk that the proposed new model may not satisfy the principles of a good funding model.

<sup>103</sup> Home Office, [Consultation on reform of police funding arrangements in England and Wales](#), 21 July 2015, p14

<sup>104</sup> Home Office ([POF0006](#))

<sup>105</sup> Association of Police and Crime Commissioners ([POF0020](#))

<sup>106</sup> Devon and Cornwall Police and Crime Commissioner ([POF0026](#))

<sup>107</sup> South Wales Police ([POF0019](#))

<sup>108</sup> Hampshire Constabulary ([POF0015](#))

Therefore, it is not clear that the model will help the Home Office achieve its objectives”.<sup>109</sup>

66. Tony Hogg, Devon and Cornwall PCC, also commented that, whilst the principles were sound in theory, in practice a number of them had a degree of conflict with one another. He explained that a robust and future proof formula would require a considerable amount of data to reflect the whole range of crime and other public protection demands facing policing. A formula which took this complexity into account was unlikely to be as transparent as one which was simpler. Furthermore, he could not imagine how a future proof formula that incentivised Government objectives could also be stable, as Government objectives changed over time as did the demands on the police service.<sup>110</sup>

**67. We have received a large amount of evidence which has questioned whether the proposed funding formula will achieve the Home Office’s aims, and whether it is consistent with the guiding principles. The Home Office must work with its policing partners during the pause in the review to co-design an effective and fair funding formula.**

**68. Any future funding formula must ensure that those ‘low-cost’ per capita forces which anticipated potential reductions to their budgets and made the necessary efficiencies before others, are not unfairly penalised in future reductions. It must not be indiscriminate, in the way that the blanket percentage reductions of previous years has been; it should do more to reward or compensate those who have historically been more efficient, to incentivise innovation and smart decision-making.**

**69. The funding formula model must also re-examine the provisions for raising funding through the local taxing precept. The proposed model did not fully take into account that current precept levels vary considerably and any annual increases above 2% have to be agreed through a referendum. In his Spending Review, the Chancellor pledged “greater flexibility” for PCCs to raise precepts where they had been “historically low”, and this is welcome news. However, more detail will be required. Further, it is seemingly unfair that some taxpayers pay more at a local level for the same standard of policing as others. Any new formula should try to reset precepts at a common level, or to propose some means of mitigating the difference by, for example, reducing grants given to forces with lower precept levels while strengthening their powers to raise income from council tax. This would give forces the power to decide whether to maintain the status quo by charging more from the public, or by making further efficiencies. This would be a fairer system, and one which would create closer links between the allocation of resources in a given area and the success of its overall policing strategy.**

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109 Merseyside Police and Crime Commissioner ([POF0021](#))

110 West Yorkshire Police and Crime Commissioner and West Yorkshire Police ([POF0014](#))

## 6 The drivers of crime and police demand

70. The Home Office consultation identified six key drivers of crime: alcohol; drugs; character; opportunity; the effectiveness of the Criminal Justice System (CJS); and profit. It stated that the range of drivers meant there was no single factor behind the fall in crime nationally, or behind crime trends locally. In addition, drivers of crime best explained how crime trends changed over time.<sup>111</sup> The Permanent Secretary told us the model was population based, which reflected both the crime and non-crime demand in policing. The model was also adjusted for population characteristics, including social deprivation, and environmental factors.<sup>112</sup>

### Demand for police services: crime and non-crime

71. Thames Valley Police and PCC told us that, whilst the six elements identified were “probably an accurate assessment of the key drivers behind volume crime (e.g. burglary and robbery)”, the key drivers behind the new and emerging crime types (e.g. cyber-crime, child sexual exploitation, modern slavery, drugs, domestic violence, and sexual violence) and non-crime activity (fear for personal welfare, disorder/dispute/disturbance, and requests for assistance) could be very different.<sup>113</sup> Hampshire Constabulary added that these new types of crime required new approaches and skill sets.<sup>114</sup> Chief Constable Simon Cole of Leicestershire Police questioned how cybercrime, radicalisation or child sexual exploitation would be accounted for, and said “those are the things that are occupying a lot of our time because that is where risk sits”.<sup>115</sup>

72. We were told that the vast majority of police time is spent dealing with non-crime incidents, and received a wide range of figures for the proportion of demand that was related to this.<sup>116</sup> West Yorkshire Police and PCC said 67% of their demand was other non-crime issues; for South Wales Police it was 89%; and others gave the range of 70% to 80%.<sup>117</sup> The types of non-crime related incidents described to us included: public safety and welfare, such as dealing with vulnerable people, people with mental health problems and with missing persons; child protection and safeguarding; public reassurance and protection; anti-social behaviour; and transport and road related matters.

73. Some submissions also claimed that the non-crime demands on the police were increasing due to cuts to other public services. Vera Baird, Northumbria PCC, told us that there had been a “withdrawal and reduction in service provision, which in turn, is having an impact on police demand”,<sup>118</sup> South Wales Police said this meant “the police are often

111 Home Office ([POF0006](#))

112 [Q13](#) Oral evidence taken on the Work of the Home Office, 10 November 2015, HC 300

113 Thames Valley Police and Crime Commissioner ([POF0009](#)) and Thames Valley Police ([POF0011](#)), Leicestershire Police and Crime Commissioner and Leicestershire Constabulary ([POF0017](#)), and Lancashire Police and Crime Commissioner and Lancashire Constabulary ([POF0018](#))

114 Hampshire Constabulary ([POF0015](#))

115 [Q9](#)

116 Hampshire Constabulary ([POF0015](#))

117 South Wales Police ([POF0019](#)), Police and Crime Commissioners Treasurers’ Society ([POF0016](#)), West Yorkshire Police and Crime Commissioner and West Yorkshire Police ([POF0014](#)), Thames Valley Police and Crime Commissioner ([POF0009](#)), Thames Valley Police ([POF0011](#)), Leicestershire Police and Crime Commissioner and Leicestershire Constabulary ([POF0017](#)), and Devon and Cornwall Police and Crime Commissioner ([POF0026](#))

118 Northumbria Police and Crime Commissioner ([POF0007](#))

regarded as the service of last resort”.<sup>119</sup> Sara Thornton of the NPCC told us the police were being used “more and more as society’s safety net” and that “after 4 o’clock on a Friday the police are around, but nobody is ever very clear about who else is around”.<sup>120</sup>

74. Despite the high demand on the police from non-crime activity, we were told that there was no evidence that the proposed indicators in the funding formula took this into account.<sup>121</sup> Hampshire Constabulary said they had expected that “a fair and robust formula” would reflect non-crime demand, but “instead it is proposed that 62% of funding is distributed via indicators linked with crime”, a proportion which they argued should be reduced.<sup>122</sup>

75. The Home Office informed us that its consultation specifically invited views on whether indicators of non-crime demand should be added to the model. They considered a range of variables, but analysis showed that they all had a strong statistical correlation with the core indicators within the refined model. They therefore concluded that the proposed indicators “capture the breadth of police demand, both crime and non-crime, and that there is no analytical justification for including additional, specific non-crime indicators”.<sup>123</sup>

76. Many of the submissions we received noted this conclusion, but argued that the Home Office had not provided any evidence to justify this statement.<sup>124</sup> Sara Thornton said “we need to be confident that the variables and the weightings the Home Office have chosen accurately predict demand. That means crime demand and non-crime demand”, but doubted whether this was the case.<sup>125</sup> Leicestershire Police and PCC told us that, in the absence of clear, objective and proven evidence for the demand for policing services, population was the best proxy for both crime and non-crime activity, a view shared by Devon and Cornwall PCC and Hampshire Constabulary.<sup>126</sup>

**77. We recommend that, in response to this Report, the Home Office explains how new and emerging crime types, such as cyber-crime, child sexual exploitation, and radicalisation, are accounted for in the funding formula. These types of crime are very different to more traditional volume crimes, such as burglary and robbery. We consider it unlikely that the six key drivers of crime that the Home Office consultation identified (alcohol; drugs; character; opportunity; the effectiveness of the criminal justice system; and profit) would also apply to these new crimes.**

**78. Chief Constables and Police and Crime Commissioners, including those from Leicestershire, Hampshire, South Wales and West Yorkshire, and the National Police Chiefs’ Council, have argued that there is a growing level of non-crime demand on the police service. This is arising in part from the police being expected to assist with**

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119 South Wales Police ([POF0019](#))

120 [Q167](#)

121 Thames Valley Police and Crime Commissioner ([POF0009](#)) and Thames Valley Police ([POF0011](#))

122 Hampshire Constabulary ([POF0015](#))

123 Home Office ([POF0006](#))

124 Police and Crime Commissioners Treasurers’ Society ([POF0016](#)), Northumbria Police and Crime Commissioner ([POF0007](#)), Devon and Cornwall Police and Crime Commissioner ([POF0026](#)), Merseyside Police and Crime Commissioner ([POF0021](#)), and Greater Manchester Police and Crime Commissioner ([POF0022](#))

125 [Q141](#)

126 Leicestershire Police and Crime Commissioner and Leicestershire Constabulary ([POF0017](#)), Thames Valley Police and Crime Commissioner ([POF0009](#)), Thames Valley Police ([POF0011](#)), Devon and Cornwall Police and Crime Commissioner ([POF0026](#)), and Hampshire Constabulary ([POF0015](#))

services for which they are not directly responsible, such as helping people with mental health and welfare issues, because the police are available outside office hours when the responsible agencies are not. Given the need to develop an effective funding formula, the Home Office must demonstrate that it understands these wider demands on the police, and that they are not only ‘crime fighters’. This would contribute to the efficacy of a new funding formula and also improve the Home Office’s ability to influence other Government Departments who should be responsible for helping to reduce these other demands on the police.

79. Given the amount of time and resources the police expend on non-crime demand, it seems obvious that an indicator for this should be included in the funding formula. The Home Office believes that the other indicators sufficiently account for non-crime demand. However, we disagree. This important element must be explicitly included in the next iteration of the funding formula. The Home Office should set out clearly and explicitly what it expects the police to do, and what the police are not expected, and not funded, to do. However, police forces also need to contribute to this process by assessing what their demand is, including non-crime demand.

### *The demands of policing a diverse community*

80. West Yorkshire Police and PCC, and others, told us that the increasing diversity and complexity of communities presented policing challenges which were not adequately reflected within the proposed funding formula.<sup>127</sup> They argued that the population indicator should recognise the complexity that existing and changing diversity in communities posed for policing. This had an impact on delivering services to and engaging with residents where there were language or cultural barriers. As a result, increased time was required to deal with victims of crime, witnesses or suspects, and additional resources were often required, such as interpreters being needed for statements.<sup>128</sup> Chief Constable Simon Cole of Leicestershire Police told us he had “grave concerns about the lack of any apparent diversity factor within this” and struggled to understand it.<sup>129</sup>

81. We consider it to be inexplicable that diversity is not one of the categories and criteria within the funding formula. There seems to be no recognition that diverse communities mean that either police officers who speak other languages are needed, or that resources are allocated for translation services, nor of the additional challenges that new and emerging communities bring. We recommend that in the next iteration of the funding formula, there is an element that specifically accounts for diversity.

### *Localised drivers of demand*

82. We were also informed that the following drivers of demand, that were more specific to particular localities, had not been recognised within the funding-formula:

- Katy Bourne, Sussex PCC, said the funding arrangements did not recognise the disproportionately high demand for services placed on coastal or tourist areas by the transient population.<sup>130</sup>

127 West Yorkshire Police and Crime Commissioner and West Yorkshire Police ([POF0014](#)), and Leicestershire Police and Crime Commissioner and Leicestershire Constabulary ([POF0017](#))

128 West Yorkshire Police and Crime Commissioner and West Yorkshire Police ([POF0014](#))

129 [Q9](#)

130 Sussex Police and Crime Commissioner ([POF0005](#))

- South Wales Police noted the demand created by Cardiff as a capital city, with the event burden that brought, as well as from the extent of deprivation in some large areas following the demise of local industries.<sup>131</sup>
- Jane Kennedy, Merseyside PCC, argued that account should be taken of the impact of organised crime activities in a force area.<sup>132</sup>
- Tony Hogg, Devon and Cornwall PCC, told us that no recognition was given of the costs of responding to rural incidents or managing calls for service across a large land mass.<sup>133</sup>
- Chief Constable Lynne Owens of Surrey Police, said the formula did not take account of the policing of roads, in particular the M25 which was a significant resourcing demand, or of the siting of airports.<sup>134</sup>
- Olly Martins, Bedfordshire PCC, said there was no consideration of counter-terrorism policing. It was noted that once there was a terrorist threat, the local area received ring-fenced funding. However, the funding formula did not account for the demands of community policing that provided the intelligence that was fundamental to any successful counter-terrorist strategy.<sup>135</sup>
- Mark Rowley QPM, Assistant Commissioner for Specialist Operations, Metropolitan Police, told us that the overall counter-terrorism effort depended very heavily on local policing resources. This included both specialist resources within local police forces, such as firearms teams, and local neighbourhood officers “who are part of our overall resilience and are critical for the trust and confidence of communities and the flow of information”.<sup>136</sup>
- The Metropolitan Police Commissioner, Sir Bernard Hogan-Howe, made a similar point on counter-terrorism, saying that the latest statistics showed that “it used to be that the majority of the leads we had on the counter-terrorist side came from either the security service or foreign intelligence services. Now we are seeing a significant rise in that from local reporting, of people concerned about individuals’ behaviour and when we investigate it we find they have good reason for that”.<sup>137</sup>

**83. The demands on the police are many and various, and differ in each force area. It is right that PCCs and Chief Constables should make their case for particular local demands to be included in the funding formula. The Home Office may then choose to disregard these arguments, but it needs to be open and transparent about the reason for those decisions. There also needs to be more recognition of the cross-boundary nature of crime. Any funding arrangement should reflect not simply the population within a police authority area, but the neighbouring areas as well. While the goal of simplifying the complicated funding system is a valid one, population distribution should not be examined in isolation.**

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131 South Wales Police ([POF0019](#))

132 Merseyside Police and Crime Commissioner ([POF0021](#))

133 Devon and Cornwall Police and Crime Commissioner ([POF0026](#))

134 [Qs7 and 51](#)

135 [Q83](#)

136 [Qs385-7](#), Oral evidence taken in the inquiry into Countering Extremism, 24 November 2015, HC 428

137 [Q223](#)

84. We recommend that the demands of counter-terrorism policing be included in the funding formula. It would be horrendous if terrorist actions, similar to those seen in Paris recently, were to occur in the UK. The police in our communities are the eyes and ears that can provide intelligence of possible terrorist activity. It would be a compounded tragedy if this intelligence was not discovered because funding had been prioritised on other matters.

## Understanding demand

85. Determining the relative needs of forces also means understanding the broader demands on the police. A recent College of Policing analysis highlighted that, despite the overall downward trend in crime, there remain significant demands on forces. As we have noted, while these can, in part, be attributed to a changing crime mix, with complex and more costly to investigate offences forming a greater proportion of overall police workload, there are also growing non-crime demands on forces, often linked to issues of vulnerability, public protection and safeguarding.<sup>138</sup>

86. Many of the submissions we received explained that forces are working on developing their understanding of demand.<sup>139</sup> These referred to both the work of the College of Policing<sup>140</sup> and of HMIC's new police effectiveness, efficiency and legitimacy (PEEL) reports which provide an assessment of the progress made by forces in developing an understanding of demand.<sup>141</sup> The NPCC was undertaking work at a national level to provide a better understanding of the demand for services, which was expected to start to deliver findings in the new year, and the London School of Economics were leading on work to provide a way to benchmark non-crime demand and vulnerability.<sup>142</sup>

87. Further work was also taking place at a local level. Thames Valley Police told us its Priority Based Budgeting process and in-depth thematic reviews had helped achieve a better understanding of the demand for local services.<sup>143</sup> Leicestershire Police told us it had implemented a new operational policing model which reallocated resources in a way that was better aligned to demand, and work continued in this area.<sup>144</sup> Merseyside Police had developed an understanding of call, incident and crime demand which influenced a number of process changes designed to ensure that the most appropriate resource was allocated to deal with demand in the most appropriate way.<sup>145</sup>

88. West Yorkshire Police and PCC told us that the Home Office had been aware of the lack of data on demand for a significant period of time, but had not appeared to have taken any action to remedy it. They argued that without a detailed understanding of demand the

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138 Home Office ([POF0006](#))

139 Northumbria Police and Crime Commissioner ([POF0007](#)), Thames Valley Police and Crime Commissioner ([POF0009](#)), Thames Valley Police ([POF0011](#)), West Yorkshire Police and Crime Commissioner and West Yorkshire Police ([POF0014](#)), Hampshire Constabulary ([POF0015](#)), Police and Crime Commissioners Treasurers' Society ([POF0016](#)), Leicestershire Police and Crime Commissioner and Leicestershire Constabulary ([POF0017](#)), Merseyside Police and Crime Commissioner ([POF0021](#)), Greater Manchester Police and Crime Commissioner ([POF0022](#)), and Devon and Cornwall Police and Crime Commissioner ([POF0026](#))

140 College of Policing analysis, [Estimating demand on the police service](#), January 2015

141 HMIC, [PEEL assessments 2015](#)

142 National Police Chiefs' Council ([POF0024](#)); see also [Q181](#) [Olly Martins, Bedfordshire PCC]

143 Thames Valley Police and Crime Commissioner ([POF0009](#)) and Thames Valley Police ([POF0011](#))

144 Leicestershire Police and Crime Commissioner and Leicestershire Constabulary ([POF0017](#))

145 Merseyside Police and Crime Commissioner ([POF0021](#))

formula would at best only be able to use ‘proxy’ measures of it.<sup>146</sup> Given the current work that was being undertaken, some submissions argued that the Home Office should wait for these to report their findings, and to incorporate them into the formula.<sup>147</sup> However, Sara Thornton was unsure whether this work would provide a measure that could be used within the Home Office’s methodology, and said it was “a bit like the holy grail”.<sup>148</sup>

**89. We welcome the work that has been started by the College of Policing and Her Majesty’s Inspectorate of Constabulary to develop a more sophisticated understanding of demand. In light of the pause in the reform of the funding formula, we recommend that the Home Office assess the work that has been done so far, and incorporate relevant findings into the next iteration of the model. This work will also be beneficial to individual police forces in determining how best to deploy their resources.**

### Collaboration with the private sector

90. One of the ways in which the Home Office expects police forces to cope with funding reductions is by increasing collaboration with the private sector, as well as with other forces and service providers.<sup>149</sup> We asked police chiefs and PCCs about their views on this. Olly Martins, Bedfordshire PCC, told us that he was currently looking at a range of options, including “sponsorship opportunities: does someone want to sponsor our panda cars, our police officers’ uniforms”. Given that Luton airport is within his territory, he said that he would welcome Easyjet as a sponsor, for example.<sup>150</sup> On the related matter of local communities using crowd-funding to secure additional police officers for their area, the Metropolitan Police Commissioner said that he was “intuitively against that” because “the public purse is the place to attribute supply to demand” and he would have a “slight concern, if only the people who can afford more are the ones who receive it”. However, although he described himself as “wary”, he said that he would also be “open-minded to consider it.”<sup>151</sup>

**91. The Bedfordshire PCC, Olly Martins, has made the case for more private sector involvement in police funding, including possible sponsorship of police cars and uniforms. We recognise that there may be appropriate collaboration with the private sector but we disagree with this particular example: police cars should not be sponsored in the same way as London taxis. We would also prefer that communities did not have to accept that they need to rely on privately-funded police or private security in order to feel safe and secure, particularly given the potentially negative effect on poorer communities which would be less able to find the necessary additional funding from their own resources.**

146 West Yorkshire Police and Crime Commissioner and West Yorkshire Police ([POF0014](#))

147 Merseyside Police and Crime Commissioner ([POF0021](#)), Thames Valley Police and Crime Commissioner ([POF0009](#)) and Thames Valley Police ([POF0011](#)), Devon and Cornwall Police and Crime Commissioner ([POF0026](#)), and [Q94](#)

148 [Q168](#)

149 HM Inspectorate of Constabulary, [State of Policing](#): The Annual Assessment of Policing in England and Wales, 2013/2014, November 2014, pp.22–24. Collaboration in the police service is governed by the Police Act 1996. Guidance on its application is provided in Home Office, [Statutory Guidance for Police Collaboration](#), October 2012

150 [Qs103-105](#)

151 [Qs200-201](#)

## 7 Impact of Spending Review 2015 on police funding

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92. As we have noted, Spending Review 2015 took place in the context of a £2.2 billion reduction in central police funding between 2010/11 and 2015/16.<sup>152</sup> Against the background of unprotected Government departments being asked to model savings of between 25% and 40% by 2019/20, the Metropolitan Police Commissioner told us in September that “anything over 20% reduction in grant will lead to a significant reduction in the number of police officers, and that would concern me”.<sup>153</sup>

93. Similar concerns were put to us throughout our inquiry. Chief Constable Steve Finnigan of Lancashire Constabulary told us he had modelled for a 40% reduction, which would see his 2010 budget of £301 million reduced to £150 million.<sup>154</sup> He said that by 2020 his force would be unviable, and that he was very upset and outraged.<sup>155</sup> Olly Martins, Bedfordshire PCC, told us that, due to funding reductions so far, he had had to cut the force’s capacity to carry out any community policing, and that this would be “the first bit that totally disappears if our funding is reduced still further”. Most starkly, Sara Thornton of the NPCC said that if Government grants were cut by 40% “it would be unsustainable” and that this would be a defining moment for policing.<sup>156</sup>

94. Following the terrorist attacks in Paris on 13 November, we took evidence from Mark Rowley QPM, Assistant Commissioner for Specialist Operations, Metropolitan Police, the day before the Spending Review outcomes were announced. As we have noted, he believed that, whilst there was a ring-fenced budget for counter-terrorism, the overall effort depended very heavily on local policing resources. He was concerned that dramatic cuts would undermine capabilities; a 10% reduction might perhaps be bearable in London, but a reduction of 20% would go beyond the tipping point.<sup>157</sup>

95. When the Chancellor of the Exchequer presented the Spending Review and Autumn Statement the following day, he stated:

Now is the time to back our police and give them the tools do the job. [...] there will be no cuts in the police budget at all. There will be real-terms protection for police funding. The police protect us, and we are going to protect the police.<sup>158</sup>

96. The police funding arrangements set out in the Spending Review 2015 include:

- Overall police spending in real terms will be protected over the Spending Review period, an increase of £900 million in cash terms by 2019/20;
- Additional transformational funding will be allocated:
  - to forces which have strong proposals to support efficiency and reform

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<sup>152</sup> National Audit Office, [Financial sustainability of police forces in England and Wales](#)

<sup>153</sup> [Q24](#), Oral evidence taken on the Work of the Metropolitan Police, Tuesday 8 September 2015, HC 312; see also HM Treasury, [A country that lives within its means, Spending Review 2015](#), p7

<sup>154</sup> [Q10](#)

<sup>155</sup> [Qs3-4](#)

<sup>156</sup> [Q184](#)

<sup>157</sup> [Qs385-7](#), Oral evidence taken in the inquiry into Countering Extremism, 24 November 2015, HC 428

<sup>158</sup> HC Deb, 25 Nov 2015, [Col 1373](#)

- to help transition to new funding arrangements in future;
- to allow forces to adapt to changing crime threats; and
- to train more firearms officers to extend the capability to protect citizens from terrorist threats;
- The National Crime Agency’s budget will be protected.
- PCCs are to be offered greater flexibility in their local funding decisions by rewarding those areas which have historically kept council tax low. This will allow them to raise up to an additional £12 million per year from the police precept compared to a 2% annual increase.<sup>159</sup>

97. In addition to protecting cross-government counter-terrorism spending of £2 billion per year, announced in the Summer Budget 2015, the Spending Review set out that a further 30% would now be spent on key counter-terrorism capabilities, which would include:

- £1.4 billion of investment in new counter-terrorism capabilities for the security and intelligence services, to enable them to investigate, analyse and help disrupt terrorist plots;
- £500 million of additional investment in the Home Office to protect UK citizens from terrorist threats;
- a new National Digital Exploitation Service to analyse the growing volumes of seized media for evidence and intelligence leads;
- an increased number of specialist firearms officers;
- improved intelligence and threat detection at the border; and
- increased efforts to counter the poisonous ideologies that feed terrorism and extremism.<sup>160</sup>

98. The BBC reported that when the announcement was made the reaction of Chief Constables and PCCs, who were attending a joint conference, was of “genuine disbelief, mixed with delight”. The news report quotes Kevin Hurley, Surrey PCC, as describing the atmosphere as “euphoric”, and Steve Kavanagh, Essex Chief Constable as saying “I’m aghast”.<sup>161</sup> Through official statements, the Metropolitan Police Commissioner said he was pleased for the people of London, and that it was the right decision,<sup>162</sup> whilst Sara Thornton of the NPCC, said “we are delighted on behalf of the public” and “we are grateful.”<sup>163</sup>

99. However, other PCCs took a less sanguine view. Vera Baird, Northumbria PCC, referred to a letter sent to all PCCs by the Home Secretary on 26 November which suggested a cut of 1.3% over three years. Olly Martins, Bedfordshire PCC, believed that

<sup>159</sup> HM Treasury, [Spending Review and Autumn Statement 2015](#)

<sup>160</sup> HM Treasury, [Spending Review and Autumn Statement 2015](#). See also [Summer 2015 Budget](#)

<sup>161</sup> BBC News website, [Spending Review: Police disbelief at ‘no cuts’ decision](#), 25 November 2015

<sup>162</sup> Metropolitan Police website, [Commissioner’s statement in response to Comprehensive Spending Review](#), 25 November 2015

<sup>163</sup> National Police Chiefs’ Council website, [The Chancellor is right when he says that we protect the public and he has therefore protected police budgets](#), 25 November 2015

his budget was “still likely to be cut by up to 16% over the next four years”. He said that he suspected that by the time provisional grant allocations to police forces are announced just before Christmas “the Chancellor’s words about protecting police funding will ring a bit hollow”.<sup>164</sup>

**100. The outcome for police funding in the Spending Review came as a surprise to many interested parties, including the policing community. We commend those who argued strongly for budgets to be preserved, including the Home Secretary for putting the case within Government, and the Chancellor for the decision he made. We particularly welcome the funding provided for counter-terrorism policing. In light of the attacks in Paris, it is essential that the police have the capability to prevent similar atrocities taking place in the UK. The settlement resulted in a standstill for police funding, but also encourages further efficiencies through collaboration, and provides flexibility through the changes to the police precept. Furthermore, there is extra funding provided for policing new and emerging types of crime such as cybercrime and child sexual exploitation. However, the full implications for police forces will not be clear until the provisional Police Grant allocations are announced in late December. We will continue to scrutinise the detail and implementation of the Spending Review announcement during the course of the Parliament.**

**101. The Chancellor’s clear and clinical announcement to the House about future police funding is in stark contrast to the way the Home Office has tried to reform the funding formula.**

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<sup>164</sup> Public Sector Executive, [27 November 2015](#), “PCCs warn pledge to protect police funding could be misleading”

# Conclusions and recommendations

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## Reforming the Funding Formula

1. Successive governments have failed to tackle the underlying problems of the current police funding arrangements. This has resulted in the current funding formula becoming out-of-date and subject to ‘damping’ to such an extent that it is widely recognised as being ‘not fit for purpose’. The Minister for Policing’s decision to take on the challenge of reforming the police funding formula was urgently needed and is welcome. (Paragraph 12)

## The consultation process

2. This important review has been rushed. The police funding formula is clearly a complex matter, with wide-reaching consequences, so an appropriate amount of time should have been allocated to the review process, to allow detailed responses to be prepared and properly considered. Not to have done so is disrespectful to those who seek to engage with the Home Office. We appreciate that the Home Office was motivated by a legitimate desire to have the new funding formula in place for the start of the 2016/17 financial year. However, to allow only eight weeks for the consultation, over a period which spanned the summer holiday, underestimated the complexities involved and disregarded Cabinet Office guidance. It is regrettable that the Minister proceeded on this timescale, and it is unfortunate that he accepted that advice from officials. It is not surprising that, as a result, the process ended in chaos, with an Urgent Question in Parliament and the decision to suspend the whole review. (Paragraph 29)
3. From the beginning of this consultation, the Home Office has set an implementation date which coincided with the start of the next Spending Review period. The Permanent Secretary has acknowledged that this would have been extremely challenging to have met. The prospect of a “double whammy” to funding, from the Spending Review and the formula review, created panic among PCCs and police forces and a genuine fear about whether they would be able to bridge the financial gap. This scenario could have been avoided, and it points to the disjointed way in which the review has progressed. In response to this Report, the Home Office should explain why it did not set out the transitional arrangements it envisaged putting in place, even by the late stage of the second round of consultation. (Paragraph 35)
4. We accept the Minister’s motivation that he did not want the consultation to descend into an argument between winners and losers. However, we believe that this was a misguided approach and that it was insulting to suggest that the default position of police forces would be to bicker on the basis of their own vested interests. The lack of transparency in the information provided for the consultation also meant that confidence in the review was lost. Furthermore, the process did not allow interested parties to contribute in the level of detail they would have wished. This goes against the Home Office’s statement that “we will only be successful in achieving our aim of building a fit-for-purpose and sustainable model with considerable input from policing partners”. It is also regrettable that the department decided not to ‘show its

workings'. The Home Office stated on multiple occasions throughout this process that it wished to engage with police forces but then created a process which made it impossible for them to do so. (Paragraph 45)

### Calculation errors by the Home Office

5. We commend the work of Andrew White, Chief Executive of the Office of the Police and Crime Commissioner for Devon and Cornwall, in bringing to light the calculation error that the Home Office failed to identify. It would be amusing if it were not so serious that Mr White was able to unravel the entire funding model in a way that made the Home Office look foolish. It is reprehensible that the response of the Director General of the Crime and Policing Group at the Home Office, Mary Calam, to Mr White did not include any apology for the mistakes made by the Home Office, nor does it appear to address the implications of the error. Although Mary Calam did write later to apologise to police forces for the error, this seems to us to represent too little action, too late. The Home Office should also consider compensating PCCs for the costs they incurred to gain access to the "Urban Adversity" data which the Home Office used in its calculations but which were only available to PCCs through commercial subscription. (Paragraph 52)
6. It is deplorable that Home Office officials made errors in calculating the funding allocations for police force areas. The Minister was right to apologise to the House for the mistake. However, the Home Office was wrong not to have made a Statement to Parliament and wrong to have suggested that it was not an Urgent matter to be dealt with on the same day in the House. The Permanent Secretary was unable to explain to us on what basis this advice was given to the Speaker when the application for an Urgent Question was made in the usual way. (Paragraph 57)
7. As a result of the Home Office's error, confidence in the process has been lost; time, effort, resources and energy have been wasted; and the reputation of the Home Office has been damaged with its principal stakeholders. We welcome the Permanent Secretary's commitment to keep us informed about the outcome of the review he has set up to establish what went wrong and his statement that disciplinary action should be taken where serious errors are found to have been made. He must report back to us before Christmas 2015. We will be undertaking further work on police funding and the formula review once decisions have been taken by the Home Office on what action to take. As part of this, we will keep the action points resulting from the review under ongoing scrutiny. (Paragraph 58)
8. The lead Home Office official in respect of these matters, Mary Calam, replied to the 2 November letter from the Office of the Devon and Cornwall PCC on 5 November. She accepted the error in the Home Office's calculations but she clearly did not understand its seriousness as she did not refer the matter to Ministers until the day after her reply to Devon and Cornwall PCC had been sent. In fact, the error meant that, at a single stroke, police forces which believed that they would be winners became losers and vice versa. Improvements in the Home Office's internal communications are clearly needed. (Paragraph 59)

## Formulating a revised funding model

9. The Home Office's objective of a transparent system is welcome. To facilitate this, certain pre-conditions for calculations in any future review of the funding formula should be established. Any data used must be made available to PCCs, Members of Parliament and other stakeholders well in advance. The Home Office should also make efforts to show how they arrived at figures in a clear and precise fashion. Had the Home Office provided more detail around their calculations and methodologies, forces might not have felt the need to hire consultants to assess the implications of the funding formula or, in the case of Devon and Cornwall, to pay for the use of an external database. (Paragraph 60)
10. We recommend that, during the pause in the review process, an independent panel be appointed to assist the Home Office in formulating revised proposals. We recommend that a member of the following organisations be appointed to that panel:
  - The Chartered Institute of Public Finance and Accountancy (CIPFA—which has a police panel that advises forces and PCCs)
  - The College of Policing
  - The Institute for Fiscal Studies
  - Grant Thornton and PriceWaterhouseCoopers (which provide external audit to a number of forces and PCCs and therefore have an understanding of financial risk within policing)
  - The Royal Statistical Society.

We hope that with this expert input the shambles we have seen so far can be remedied. (Paragraph 61)

## Principles of a good funding model

11. We have received a large amount of evidence which has questioned whether the proposed funding formula will achieve the Home Office's aims, and whether it is consistent with the guiding principles. The Home Office must work with its policing partners during the pause in the review to co-design an effective and fair funding formula. (Paragraph 67)
12. Any future funding formula must ensure that those 'low-cost' per capita forces which anticipated potential reductions to their budgets and made the necessary efficiencies before others, are not unfairly penalised in future reductions. It must not be indiscriminate, in the way that the blanket percentage reductions of previous years has been; it should do more to reward or compensate those who have historically been more efficient, to incentivise innovation and smart decision-making. (Paragraph 68)
13. The funding formula model must also re-examine the provisions for raising funding through the local taxing precept. The proposed model did not fully take into account that current precept levels vary considerably and any annual increases

above 2% have to be agreed through a referendum. In his Spending Review, the Chancellor pledged “greater flexibility” for PCCs to raise precepts where they had been “historically low”, and this is welcome news. However, more detail will be required. Further, it is seemingly unfair that some taxpayers pay more at a local level for the same standard of policing as others. Any new formula should try to reset precepts at a common level, or to propose some means of mitigating the difference by, for example, reducing grants given to forces with lower precept levels while strengthening their powers to raise income from council tax. This would give forces the power to decide whether to maintain the status quo by charging more from the public, or by making further efficiencies. This would be a fairer system, and one which would create closer links between the allocation of resources in a given area and the success of its overall policing strategy. (Paragraph 69)

### The drivers of crime and police demand

14. We recommend that, in response to this Report, the Home Office explains how new and emerging crime types, such as cyber-crime, child sexual exploitation, and radicalisation, are accounted for in the funding formula. These types of crime are very different to more traditional volume crimes, such as burglary and robbery. We consider it unlikely that the six key drivers of crime that the Home Office consultation identified (alcohol; drugs; character; opportunity; the effectiveness of the criminal justice system; and profit) would also apply to these new crimes. (Paragraph 77)
15. Chief Constables and Police and Crime Commissioners, including those from Leicestershire, Hampshire, South Wales and West Yorkshire, and the National Police Chiefs’ Council, have argued that there is a growing level of non-crime demand on the police service. This is arising in part from the police being expected to assist with services for which they are not directly responsible, such as helping people with mental health and welfare issues, because the police are available outside office hours when the responsible agencies are not. Given the need to develop an effective funding formula, the Home Office must demonstrate that it understands these wider demands on the police, and that they are not only ‘crime fighters’. This would contribute to the efficacy of a new funding formula and also improve the Home Office’s ability to influence other Government Departments who should be responsible for helping to reduce these other demands on the police. (Paragraph 78)
16. Given the amount of time and resources the police expend on non-crime demand, it seems obvious that an indicator for this should be included in the funding formula. The Home Office believes that the other indicators sufficiently account for non-crime demand. However, we disagree. This important element must be explicitly included in the next iteration of the funding formula. The Home Office should set out clearly and explicitly what it expects the police to do, and what the police are not expected, and not funded, to do. However, police forces also need to contribute to this process by assessing what their demand is, including non-crime demand. (Paragraph 79)
17. We consider it to be inexplicable that diversity is not one of the categories and criteria within the funding formula. There seems to be no recognition that diverse

communities mean that either police officers who speak other languages are needed, or that resources are allocated for translation services, nor of the additional challenges that new and emerging communities bring. We recommend that in the next iteration of the funding formula, there is an element that specifically accounts for diversity. (Paragraph 81)

18. The demands on the police are many and various, and differ in each force area. It is right that PCCs and Chief Constables should make their case for particular local demands to be included in the funding formula. The Home Office may then choose to disregard these arguments, but it needs to be open and transparent about the reason for those decisions. There also needs to be more recognition of the cross-boundary nature of crime. Any funding arrangement should reflect not simply the population within a police authority area, but the neighbouring areas as well. While the goal of simplifying the complicated funding system is a valid one, population distribution should not be examined in isolation. (Paragraph 83)
19. We recommend that the demands of counter-terrorism policing be included in the funding formula. It would be horrendous if terrorist actions, similar to those seen in Paris recently, were to occur in the UK. The police in our communities are the eyes and ears that can provide intelligence of possible terrorist activity. It would be a compounded tragedy if this intelligence was not discovered because funding had been prioritised on other matters. (Paragraph 84)
20. We welcome the work that has been started by the College of Policing and Her Majesty's Inspectorate of Constabulary to develop a more sophisticated understanding of demand. In light of the pause in the reform of the funding formula, we recommend that the Home Office assess the work that has been done so far, and incorporate relevant findings into the next iteration of the model. This work will also be beneficial to individual police forces in determining how best to deploy their resources. (Paragraph 89)

### Collaboration with the private sector

21. The Bedfordshire PCC, Olly Martins, has made the case for more private sector involvement in police funding, including possible sponsorship of police cars and uniforms. We recognise that there may be appropriate collaboration with the private sector but we disagree with this particular example: police cars should not be sponsored in the same way as London taxis. We would also prefer that communities did not have to accept that they need to rely on privately-funded police or private security in order to feel safe and secure, particularly given the potentially negative effect on poorer communities which would be less able to find the necessary additional funding from their own resources. (Paragraph 91)

### Impact of Spending Review 2015 on police funding

22. The outcome for police funding in the Spending Review came as a surprise to many interested parties, including the policing community. We commend those who argued strongly for budgets to be preserved, including the Home Secretary for putting the case within Government, and the Chancellor for the decision he made.

We particularly welcome the funding provided for counter-terrorism policing. In light of the attacks in Paris, it is essential that the police have the capability to prevent similar atrocities taking place in the UK. The settlement resulted in a standstill for police funding, but also encourages further efficiencies through collaboration, and provides flexibility through the changes to the police precept. Furthermore, there is extra funding provided for policing new and emerging types of crime such as cybercrime and child sexual exploitation. However, the full implications for police forces will not be clear until the provisional Police Grant allocations are announced in late December. We will continue to scrutinise the detail and implementation of the Spending Review announcement during the course of the Parliament. (Paragraph 100)

23. The Chancellor's clear and clinical announcement to the House about future police funding is in stark contrast to the way the Home Office has tried to reform the funding formula. (Paragraph 101)

# Formal Minutes

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**Wednesday 9 December 2015**

Members present:

Keith Vaz, in the Chair

James Berry

Tim Loughton

Mr David Burrowes

Stuart C. McDonald

Mr Ranil Jayawardena

Mr David Winnick

Draft Report (*Reform of the Police Funding Formula*), proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 101 read and agreed to.

*Resolved*, That the Report be the Fourth Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 16 December at 2.30 pm.]

## Witnesses

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The following witnesses gave evidence. Transcripts can be viewed on the [inquiry page](#) of the Committee's website.

### Tuesday 3 November 2015

*Question number*

**Chief Constable Simon Cole QPM**, Leicestershire Police, **Chief Constable Steve Finnigan QPM, CBE**, Lancashire Constabulary, and **Chief Constable Lynne Owens QPM, CBE**, Surrey Police [Q1–62](#)

**Tony Hogg**, Devon and Cornwall Police and Crime Commissioner, **Ron Hogg**, Durham Police and Crime Commissioner, and **Olly Martins**, Bedfordshire Police and Crime Commissioner [Q63–128](#)

**Craig Mackey QPM**, Deputy Commissioner, Metropolitan Police Service, and **Sara Thornton QPM, CBE**, Chair, National Police Chiefs' Council [Q129–184](#)

### Tuesday 10 November 2015

**Sir Bernard Hogan-Howe**, Metropolitan Police Commissioner, and **Stephen Greenhalgh**, Deputy Mayor for Policing and Crime [Q185–250](#)

**Thomas Winsor**, Chief Inspector of Constabulary, and **Mike Cunningham QPM**, Inspector of Constabulary, Her Majesty's Inspectorate of Constabulary [Q251–291](#)

## Published written evidence

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The following written evidence was received and can be viewed on the [inquiry page](#) of the Committee's website. POF numbers are generated by the evidence processing system and so may not be complete.

- 1 Association of Police and Crime Commissioners ([POF0020](#))
- 2 Bedfordshire Police and Crime Commissioner ([POF0027](#))
- 3 Devon and Cornwall Police and Crime Commissioner ([POF0026](#))
- 4 Frank Belgrove ([POF0001](#))
- 5 Greater Manchester Police ([POF0023](#))
- 6 Greater Manchester Police and Crime Commissioner ([POF0022](#))
- 7 Hampshire Constabulary ([POF0015](#))
- 8 Home Office ([POF0006](#))
- 9 Home Office and the Office of Devon and Cornwall PCC correspondence ([POF0030](#))
- 10 Lancashire Police and Crime Commissioner and Lancashire Constabulary ([POF0018](#))
- 11 Leicestershire Police and Crime Commissioner and Leicestershire Constabulary ([POF0017](#))
- 12 Merseyside Police and Crime Commissioner ([POF0021](#))
- 13 Metropolitan Police Service and the Mayor's Office for Policing and Crime ([POF0025](#))
- 14 Metropolitan Police Service supplementary ([POF0029](#))
- 15 National Police Chiefs' Council ([POF0024](#))
- 16 National Police Chiefs' Council supplementary ([POF0028](#))
- 17 Northumbria Police and Crime Commissioner ([POF0007](#))
- 18 Police and Crime Commissioners Treasurers' Society ([POF0016](#))
- 19 South Wales Police ([POF0019](#))
- 20 Sussex Police and Crime Commissioner ([POF0005](#))
- 21 Thames Valley Police ([POF0011](#))
- 22 Thames Valley Police and Crime Commissioner ([POF0009](#))
- 23 West Midlands Police ([POF0008](#))
- 24 West Midlands Police and Crime Commissioner ([POF0012](#))
- 25 West Yorkshire Police and Crime Commissioner and West Yorkshire Police ([POF0014](#))

## List of Reports from the Committee during the current Parliament

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All publications from the Committee are available on the Committee's website at [www.parliament.uk/homeaffairscom](http://www.parliament.uk/homeaffairscom).

### Session 2015–16

First Report	Psychoactive substances	HC 361
Second Report	The work of the Immigration Directorates (Q2 2015)	HC 512
Third Report	Police investigations and the role of the Crown Prosecution Service	HC 534
First Special Report	The work of the Immigration Directorates: Calais: Government Response to the Committee's Eighteenth Report of Session 2014-15	HC 380
Second Special Report	Out-of-court Disposals: Government Response to the Committee's Fourteenth Report of Session 2014-15	HC 379