

**POLICE AND CRIME COMMISSIONERS TREASURERS' SOCIETY**

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**Provisional Police Grant Settlement 2015-16**

Dear Ziggy,

This letter represents the response from the Police and Crime Commissioners Treasurers' Society's (PACCTS) to the consultation on the Provisional Police Grant Report 2015-16. The Society also refers the Home Office to individual responses from local policing bodies. PACCTS represent the Treasurer of each of the forty-one Police and Crime Commissioners (PCCs) in England and Wales, as well as the Chief Financial Officer of the Mayor's Office for Policing and Crime, and the Chamberlain of the Common Council of the City of London. Each Treasurer has the statutory responsibility for securing proper management of the finances of their police force.

**Settlement Timing**

The Society understands that the original plan had been for the Home Office and DCLG to publish their respective settlements on the same day. However, when the DCLG delayed their settlement publication the Home Office decided to go ahead and publish the Police Settlement as planned. Police Treasurers would like to thank the ministers and civil servants for this. When provisional settlements are published so close to the Christmas break and precept deadlines; this extra day is helpful.

**Overall Funding Levels**

At the 2013 Budget the Chancellor announced a further 1.1% cut to the Home Office DEL; PACCTS members welcome the efforts that the Home Office have made to absorb this cut within the Department but as a result of this not being fully achieved, the resultant unplanned 0.2% cut to Police Grant, in cash terms, on top of the 3.2% known reduction will cut further into the police service in 2015-16.

The resultant cash cut to police funding, when combining Police Grant, formula grant and the additional top-slices, is 5.1%. This equates to over 7% in real terms.

**Top-Slices**

Despite this level of protection, Police Treasurers were dismayed to see an increase in the number and value of top-slices to the Police Settlement. The settlement shows provisional top-slices in 2015-16 totalling £176.8m (excluding PFI and Ordnance Survey). In 2014-15 the figure was just £90m. This represents an overall increase of over 96%.

Commissioners were not consulted on these proposals and have not been given sight of the business cases. If the average cost of a Police Officer is assumed to be £53,000, this £176.8m is the equivalent of 3,335 officers. PACCTS therefore requests that the evidence base for these top-slices be published so that their effectiveness can be gauged. Without this information, these reductions simply amount to a further substantial concealed cut in local funding levels and reduce the transparency within the Police funding envelope.

PACCTS members had been expecting further top-slices for the National Police Coordination Centre (NPoCC, worth £2.3m) and the proposed National ICT top-slice (£69m). In a letter to PCCs dated 17 December, the Home Secretary explained that she felt it would be more transparent to charge police forces in order to recover the funding rather than top-slice. PACCTS agree that this is more transparent although the fact remains that this will further reduce the funding available for police force areas.

### **Council Tax Referendum Principles**

The day after the provisional police grant report was published the DCLG confirmed that (in England) the council tax referendum principles would remain at the same level as 2014-15; that any increase of 2% or more would trigger a referendum.

PACCTS has frequently made the point that PCCs recognise the importance of minimising council tax increases for council tax payers in the current economic climate. Following the introduction of elected PCCs, police forces are more accountable than ever to their local tax payers, and this was reflected in the Home Secretary's Christmas message. Different police force areas face differing demands and the ability to allow flexibility for commissioners to increase council tax is important. It is the view of PACCTS members that the announcement of the referendum principles for English forces undermines the democratic mandate of elected PCCs and greatly diminishes local accountability.

The potential risks to the public purse combined with the significant costs associated with holding a referendum in relation to a PCC's budget exclude it as a viable option. As funding is available nationally for a further council tax freeze in 2015-16, the Society believes this should be included in the core funding for police; leaving PCCs to make decisions on council tax changes, free from the constraint of central government.

### **Counter Terrorism Grant**

It is disappointing that, once again, funding allocations for the Counter Terrorism Grant were not announced alongside the settlement. This grant forms a significant element of funding for some policing bodies; as such, early certainty over these amounts is very important.

### **Capital Financing**

PACCTS understands that the announcement of Home Office capital grants has been delayed whilst the minister decides whether or not to top-slice any additional funding. Further to the comments above, the Society does not support more top-slices and reiterate that late announcements hinder effective planning.

### **Funding for Victims**

As you know the funding for Victims Services comes from the Ministry of Justice. Whilst PACCTS understands that this funding is technically not part of the Police Settlement, Treasurers would find it helpful if the timing and location of announcements from the MoJ and the Home Office could be coordinated.

### **Formula Review**

Two years ago the Home Office announced that they would be launching a review of the Police Funding Formula which is now considerably out of date, and which does not reflect the full range of PCC responsibilities. The current distribution also uses the Four Block Model which has been widely discredited by both professionals and academia. At the request of the Home Office, PACCTS has contributed thoughts, opinions, principles and even alternatives to regression to the Department. Whilst PACCTS acknowledges that the review is now likely to be on-hold pending the result of the general election, we have appreciated the opportunity to contribute our thoughts. However, we would like to emphasise the importance of doing the groundwork in a more transparent way as; ideally, a decision on the formula would be taken alongside the long-term funding decisions in the next CSR, as it is the combined impact that will be relevant to force planning.

The current formula is now ten years out of date, during which time policing has changed considerably, yet the Government have simply applied flat rate decreases to the funding for police forces. This action tends to support the opinion that the Home Office are in agreement with PACCTS over the unsuitability of the current formula: yet there are still no alternatives on the table.

Some force areas will argue that; in a time of austerity stability is the key, whilst others will argue that the cuts mean that it is even more crucial that the funding is fair. Either way, PCC Treasurers, whilst recognising the sensitivity of discussions on issues with possible distributional impacts around election time, feel that this debate needs to be held publicly between Home Office ministers, advisors and analysts, PCCs and Chief Constables.

### **Police Innovation Fund**

Whilst the Society acknowledges that locally the Police Innovation fund encourages discussions about both collaboration and innovation, it believes that the financial constraints which all PCCs face provide a sufficient incentive for these discussions without a need for the Innovation Fund.

The Police service alongside local government campaigned long and hard to see a reduction in the number of ring-fenced specific grants. However, we find ourselves in 2015-16 facing a huge rise in the value and number of top-slices, including the third year of the Innovation Fund. The Innovation Fund is top-sliced from the Police Settlement, creating a bid-based pot of funding which, in turn, further reduces the funding available to PCCs and their Treasurers to manage current financial risks.

Police force areas who decide to bid to the fund find that this involves a considerable amount of work in a short space of time. Applicants only find out if they have been successful in the days prior to the start of the financial year. Ad hoc allocations, announced late in the budget setting process, fly in the face of proper financial planning.

In the context of broader public policy, the process is seeing the development of several, sometimes many, local technical solutions to common innovation visions – such as body worn cameras – which must be raising questions of technical coherence and inter-operability when viewed across the whole country.

The Police treasurers would therefore suggest that the Home Office considers ending the continued use of the Innovation Fund; returning the funding to the police settlement and investigates other means of encouraging collaboration and innovation.

### **2016-17 Onwards**

Police Treasurers are well aware that future years' funding allocations will be dependent on the result of the General Election and the ensuing Spending Review. Whilst members would like to receive indicative funding allocations as soon as possible, it is critical that the balance should be struck with the need to ensure there is a strong evidence base to support any level of savings and efficiency assumptions. A recent report by the NAO criticised the DCLG on their understanding of the likely impact of cuts on local authority budgets and the lack of assessment of subsequent impacts. Without careful consideration of future spending decisions, the Home Office puts itself at risk of receiving similar criticism.

Treasurers are working with their Commissioners to prepare medium term financial strategies in unprecedented financial circumstances; effective planning to meet budgetary shortfalls can only take place if there is clarity and certainty about future savings targets. As you will be well aware, the vast proportion of costs for police forces is related to staffing, but legislation protects Police Officers from being made redundant. Therefore early information with regard to funding becomes paramount.

### **Summary**

PACCTS recognise that police, along with other local authorities, must share in the funding reductions outlined by the Chancellor. The Home Secretary's decision to protect police from some of the additional 1.1% cuts announced in the 2013 Budget is welcomed. Treasurers urge the Home Office to publish indicative allocations for 2016-17 onwards as soon as is possible after the next spending review and having given due consideration as to the potential impact of the decisions.

Looking to 2016-17 and beyond, PACCTS are eager for the Government to begin its review of police funding and look forward to contributing to the review process.

The Society looks forward to the Government's response to this consultation.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D. Clarke', written in a cursive style.

**David Clarke**  
**President**  
**Police and Crime Commissioners Treasurers' Society**