



BRIEFING PAPER

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Police funding

By Neil Johnston
& Benjamin Politowski

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Summary

This briefing explains the existing funding arrangements for police forces. It focuses on revenue funding for the territorial police forces of the United Kingdom. Police receive separate grants for capital purposes.

The briefing also examines the proposed new funding formula for police forces in England and Wales (now delayed until 2017/18) and briefly considers the reductions in funding experienced by forces since 2010/11.

Police funding is devolved in Scotland and partly devolved in Wales. Different arrangements are in place for the Police Service of Northern Ireland. Section 1 considers arrangements in each part of the UK.

In England and Wales the main source of income for the 43 geographic police forces is central government grant made available through the annual Home Office Police Grant Report.

Police and Crime Commissioners in England and Wales can also raise additional revenue funding through council tax precepts. The two police forces in London also receive some funding through council tax precepts. In addition the two London forces receive an extra grant to reflect the extra burden placed on resources to police the capital.

In Scotland, the eight area forces were merged into a single force in 2013. Since then the Scottish Government has funded policing directly through the Scottish Police Authority. Local authorities are no longer required to fund area police forces and the Police Authority has no power to levy a council tax precept for households in Scotland. Local authorities in Scotland are still able to fund additional police officers to work on particular priorities within their local areas.

The Police Service of Northern Ireland is funded by HM Treasury. The Northern Ireland Policing Board is responsible for bidding for funds from the Treasury.

All forces in the UK have been subject to reductions in funding. The scale of reductions and the impact on the number of officers is considered in section 2.

The Government has consulted on proposals for new funding arrangements for police forces in England and Wales. It is generally accepted that the existing formula is no longer appropriate and the Government wants to replace the existing funding formula with a simplified formula. However, following statistical errors having been discovered in the funding proposals, the Government has decided to delay changes to police funding for 2016/17. This is considered in more detail in section 3.

1. How are the police funded?

There are 45 territorial police forces in the United Kingdom, 39 in England and 4 in Wales, and single forces each covering Scotland and Northern Ireland.

Police funding in Great Britain is devolved; different arrangements are in place in Northern Ireland. The main source of funding in all parts of the UK is general government grant. In England and Wales police forces raise some of their income through council tax bills.

Police can also charge for their some of their services. The main source of income from fees and charges is through charging for special police services. These are police services provided over and above core policing at the request of a person or organisations, such as football matches and pop concerts.

The precise funding arrangements differ in each part of the UK.

This note does not cover the British Transport Police, which is funded mainly from contributions from train operating companies and various metro systems, including the London Underground. Its core policing budget for 2015/16 is £260 million.¹

Also not included in this note is the Civil Nuclear Constabulary (CNC), the armed police force in charge of protecting civil nuclear sites and nuclear materials in England, Scotland and Wales. The CNC is overseen by the Civil Nuclear Police Authority. The Authority's expenditure in the financial year 2014/15 was £94 million.²

1.1 England

In England there are 39 geographic police forces. Each one receives most of its funding in the form of central government grant. The largest share is allocated through the Police Grant Report and accounts for almost two-thirds of police funding in England.

There are also a smaller number of special and specific grants which are ring-fenced for national policing priorities, such as counter-terrorism policing.

Each force can also raise funds through council tax bills. Outside London this is in the form of a precept levied on residential council tax bills. It is the elected police and crime commissioner (PCC) in each police force area that determines the level of the police precept.

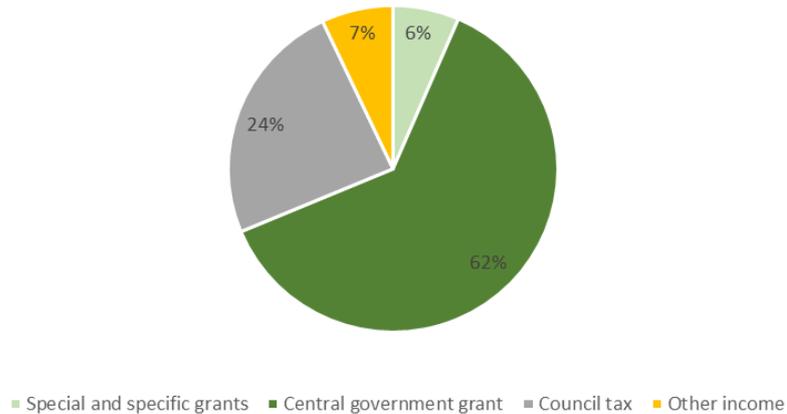
Box 1 below shows the main sources that finance gross revenue expenditure in England in proportion.

¹ British Transport Police, *Policing Great Britain's Rail Network National and Divisional Plans 2015/2016*

² Civil Nuclear Police Authority, *Civil Nuclear Police Authority 2014/15 annual report and accounts*, July 2015

Box 1:Sources of gross revenue expenditure by police forces in England
2015/16

Source: CIPFA Stats, Police service estimates 2015/16

**Police Grant Report**

Since 2013/14 the Police Grant Report has been the main determination of revenue funding for police forces in England. It is laid before the House of Commons by the Home Secretary for each financial year pursuant to provisions laid out in the *Police Act 1996*. A provisional announcement is usually made by the Government in December preceding the financial year with the final report agreed by Parliament in January or February.

The report shows the aggregate amount of central government formula grant from the Police Main Grant and grant formerly paid through the Department for Communities and Local Government (DCLG). The formulae are discussed in more detail in Section 4.

Before 2013/14 police authorities received some of their funding as part of the local government finance settlement. The grant paid by the DCLG was made up of redistributed non-domestic rates and revenue support grant. Police Main Grant was paid separately by the Home Office. The sum of the revenue support grant, redistributed non-domestic rates and Police Main Grant was known as Formula Grant.

In 2012/13 Police Main Grant funded 33% of gross revenue expenditure by police forces in England. The former DCLG formula funding funding made up 25% and council tax 24%.

Following the government's decision that police funding should not be included within the reformed local government finance settlement the Police Grant Report has been an aggregate report that includes funds formerly paid by the DCLG as formula grant.

In 2015/16, the Police Grant Report allocated £7.4 billion to police forces in England.

£4.1 billion came from the Police Main Grant.

£2.8 billion came from funding formerly paid through the DCLG and £0.5 billion was paid in respect of legacy council tax grants.

The Police Grant Report also includes amounts previously paid through the DCLG in respect of council tax. There are two streams, council tax freeze grant and local council tax support grant.

In 2015/16 the aggregate amount to be paid in England and Wales through the Police Grant Report was £7.4 billion.³

The Home Office also provides capital grant to police forces. This is a much smaller allocation and is allocated between forces in the same proportions as the Police Grant. In 2015/16 the expected amount of capital grants to English police forces is £110 million.

The Government has consulted on proposals to reform police funding in England and Wales (see section 3).

The funds provided through the Police Grant Report are general revenue funding and are paid un-ringfenced to PCCs (in London the Metropolitan Police funding is passed to the Mayor's Office for Policing and Crime and in the City of London the Court of Common Council acts as the police authority).

PCCs set the budget and priorities for their police force area but chief constables in each area (and the Commissioner of Police in London) remain operationally independent and responsible for the activities of the force.

The PCC retains the responsibility for the police fund, and manages income, expenditure, reserves and capital borrowing. The Chief Constable has day to day responsibility for the financial management of the force. Both the Chief Constable and the PCC have a chief financial officer who is statutorily responsible for safeguarding the lawfulness and propriety of expenditure. Both chief finance officers are required to support the other in the execution of their duties.⁴

Council tax

In England, each police and crime commissioner can raise a proportion of its funding via council tax bills. Arrangements are slightly different for the Metropolitan and the City of London Police but both forces still raise some of this funding through council tax bills.

Precepts

Council tax funding is raised by levying a precept on council tax bills. PCCs are known as major precepting authorities and they have the power to set a precept.

PCCs were first elected in November 2012 and took over responsibility for setting council tax precepts from the financial year 2013/14. PCCs replaced police authorities following reforms brought in by the *Police Reform and Social Responsibility Act 2011*

Funds raised via council tax are not collected directly by PCCs. The funds are collected on their behalf by each billing authority, which is the local district council or unitary authority.

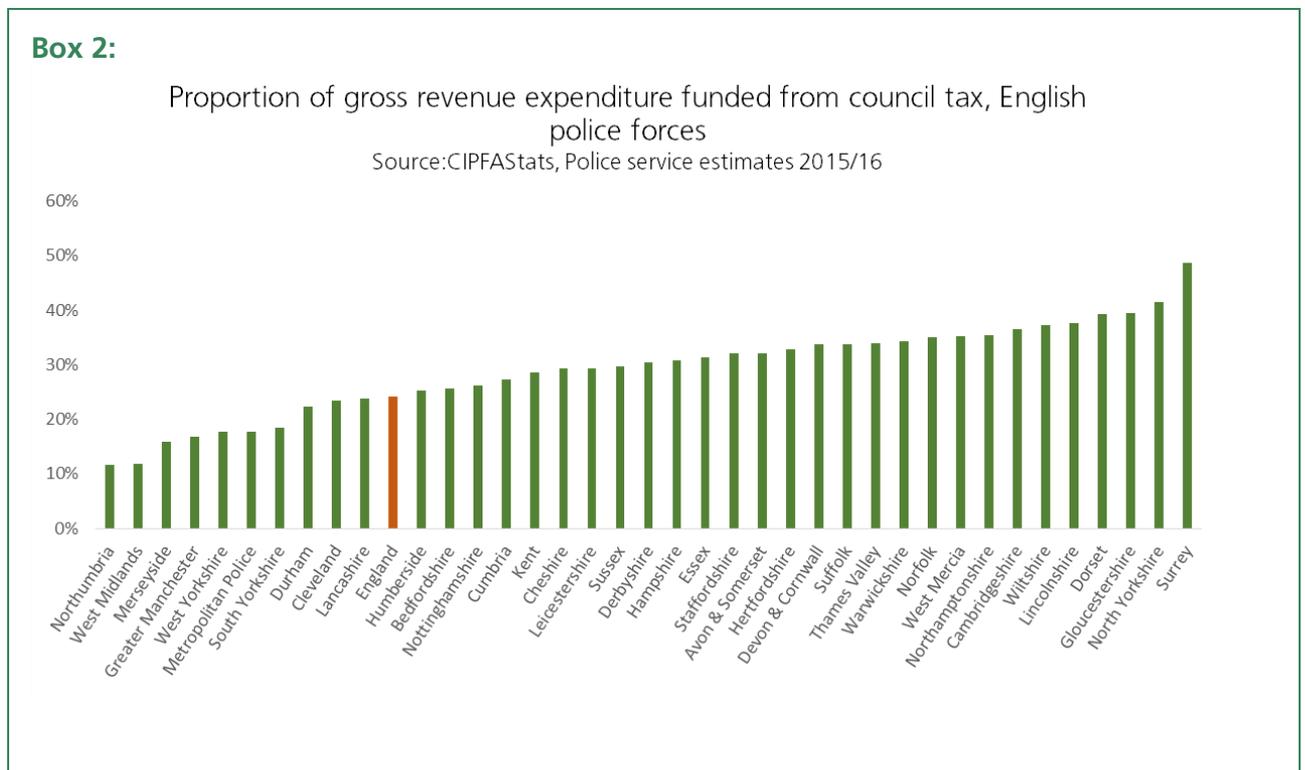
³ Home Office, *Police Grant Report 2015/16*, 4 February 2015

⁴ CIPFA, *The Guide to local government finance*, 2015 edition, Module 9 : Police

PCCs are free to raise precepts by any amount subject to approval from their Police and Crime Panels; the panel has the power of veto. In practice however, PCCs are limited in how much they can raise the precept each year by council tax referendum regulations (see below).

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.

Box 2 shows how the proportions vary. The Northumbria and the West Midlands police forces raise only 12% of their gross revenue expenditure through council tax. Most police forces raise 25-35% from council tax but Surrey raises almost half (49%) from council tax.



Referendums and capping

PCCs are subject to local council tax referendums in the same way as local councils. These arrangements were first introduced in 2012/13 and replaced capping. PCCs proposing a council tax precept rise above a certain level would be forced to hold a referendum to seek approval for the rise from voters within their police force area.⁵ In 2015/16 this meant that PCCs would have to hold a council tax referendum if they proposed a council tax precept increase of 2% or more. The cost of the referendum would have to be borne by the PCC.

⁵ See Library briefing SN05682, [Council tax: local referendums](#) for more details on the principles and conduct of council tax increase referendums

In May 2015 a council tax referendum was held in Bedfordshire following the PCC's, Olly Martins (Labour), proposal for a 15.8% increase in the police precept.

In 2014/15 the Band D precept set by the PCC was £156.55. The proposed 15.8% increase by the PCC would have added £24.80 per annum to the Band D precept for households in Bedfordshire. If the vote proposal was rejected a 1.99% increase in the band D precept of £3.12 per year, the maximum allowable, would automatically have been implemented. The total amount of council tax paid by council tax payers would have varied depending which billing authority area householders lived in.⁶

The referendum was the first to be held under the council tax referendums provisions. Voters in Bedfordshire rejected the proposal by 207,551 (69.5%) votes to 91,086 (30.5%).⁷

The referendum was estimated to have cost £350,000 and if passed the re-billing of residents would have cost a further £250,000.⁸

Before 2012/13 local authorities were subject to 'capping'. Selective capping had been introduced by the Labour Government elected in 1997 to replace universal capping powers. Before 1997 only one police authority had been capped: Lincolnshire Police Authority in 1995/96.⁹

The Government could designate authorities for capping if it judged the authority was planning excessive council tax increases. The threshold for capping varied and powers were not used until 2004/05.

In 2004/05 three police authorities were nominated for potential capping in 2005/06 and were told "rein in your budgets next year, or face capping".¹⁰ The three police authorities were Cumbria Police, Northamptonshire Police and West Mercia Police. None of them was subsequently capped in 2005/06.

In 2008/09 Lincolnshire Police Authority was capped having increased its budget requirement by 29% and proposed a council tax rise of 79%.

Another seven police authorities, Bedfordshire, Cheshire, Leicestershire, Norfolk, Surrey and Warwickshire were judged to have exceeded the principles for capping. These had all set budget increases of between 5% and 7%.

In addition, three of the police authorities had set council tax increases of more than 10%. These were Cheshire (17%), Leicestershire (15%), and Warwickshire (13%). On 26 June 2008, the Government announced its decisions to:

⁶ Bedfordshire Police and Crime Commissioner, *Section 7 Notice* published in compliance with Regulation 7 (2) of the Local Authorities (Conduct of Referendums) (Council Tax Increases) (England) Regulations 2012.

⁷ Bedford Council, *Police Commissioner Referendum*, 11 May 2015

⁸ Bedfordshire Police and Crime Commissioner, *Post Referendum FAQs*

⁹ House of Commons Library briefing RP04/56, *Council tax capping*

¹⁰ *Ibid*, p9

- cancel the designation of Cheshire, Leicestershire and Warwickshire Police Authorities but nominate all three for 2008-09, designating them in 2009/10 and 2010/11;
- cancel the designation of Bedfordshire, Norfolk and Surrey Police Authorities and of Portsmouth City Council but nominate them with a proposed notional budget requirement for 2008-09.¹¹

In 2009/10 Surrey and Derbyshire police authorities were deemed to have set excessive council tax rises. Surrey Police Authority was required to set a lower council tax in 2009/10 and arrange for residents to be rebilled. Derbyshire Police Authority was not required to rebill residents but was nominated to restrict its scope for council tax increases in future years.¹²

In 2010/11, Cheshire, Leicestershire and Warwickshire Police Authorities already had their council tax levels restricted as a result of previous increases set by them. Two police authorities, Greater Manchester and Nottinghamshire, were deemed to have set excessive increases. These authorities were not required to rebill, but a cap was set for 2011/12.¹³

Council tax freeze grant

In 2011/12 the Coalition Government introduced council tax freeze grant. This was to encourage all local authorities, including police authorities to freeze or reduce their council tax precepts. The grant was only paid if precepts were frozen.

Council tax freeze grant has been available every year since, although the exact provisions have changed in each year.

In the first year all 39 police authorities accepted the grant and froze their precepts. In 2012/13 this figure dropped to 19.

In 2013/14, the first year in which PCCs set the precept, just 12 froze their council tax precept. The numbers dropped further to 5 in 2014/15 with 6 PCCs freezing council tax precepts in 2015/16.

¹¹ HC Deb 26 June 2008 cc29-30WS

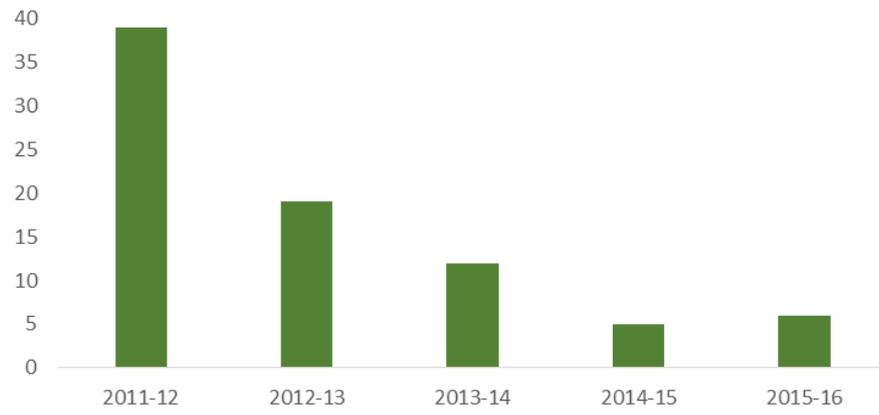
¹² TISOnline, *Capping and Council Tax Referendums, Earlier Use of Capping from 2004/05 to 2011/12*

¹³ Ibid

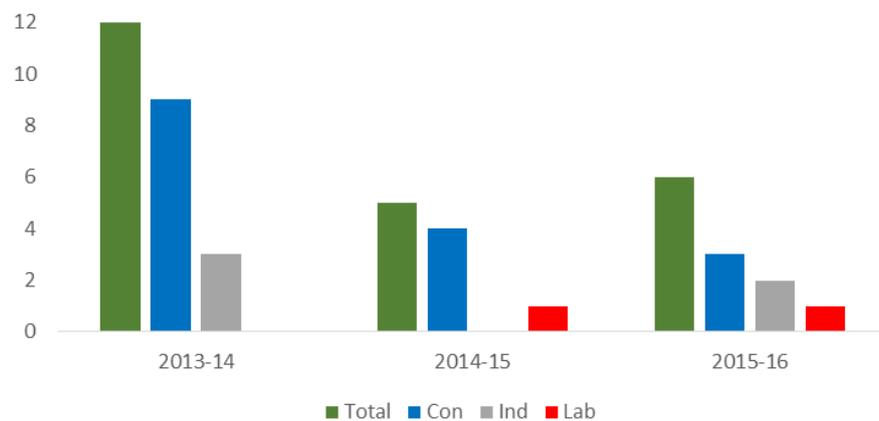
Box 3:

English Police authorities/PCCs freezing council tax precept, 2011/12-2015/16

Source: DCLG, Council tax live tables



Police and crime commissioners freezing council tax precept by political control



Specific and special grants

The Home Office also provides a series of specific and special grants in addition to Police Main Grant. This funding comes from the Home Office resource departmental expenditure limit crime and policing group.

Some of the grants are funded by top-slicing the Police Main Grant, that is reducing the funding available for general revenue funding through the Police Main Grant to pay for some specific grants.

In 2015/16 the amount announced for specific grants was £822 million. The largest element of this was Counter Terrorism Police Grant (£564

million).¹⁴ In recognition of its national responsibilities in this area MOPAC receives the largest proportion of this grant but for security reasons detailed allocations by force are not made publicly available.¹⁵

Other grants include the Police Special Grant, which is a £15 million fund top-sliced from the main grant to support police forces facing unplanned or unexpected additional pressures which might otherwise place them at financial risk, and £70 million for the Police Innovation Fund.

The Home Office does not generally issue breakdowns by force area for the majority of specific grants with the exception of council tax legacy and council tax freeze grants.

Some Police and Crime Commissioners consider money reallocated from the Police Main Grant to be of limited value. The amount reallocated in 2015/16 was £177 million.¹⁶

National and International Capital City Grant

The two London forces receive additional funding to reflect the extra burden placed on resources to police the capital. The National and International Capital City Grant. In 2015/16 this is worth £174 million to the Metropolitan Police Force (included in its Police Main Grant allocation). The City of London Police receive £2.8 million in 2015/16 and this is identified as a specific grant.¹⁷

Other income

Police are allowed to charge third parties for performing non-statutory functions, such as policing sports events. These are known as special police services. The basic powers to charge for services are set out in the *Police Act 1996* and current guidance on charging takes into account recent case law where organisers of events have challenged charging regimes.¹⁸

Police forces are prevented from making a profit on special police services and for some types of event are prevented from recouping 100% of costs.

The level of income for English forces from special police services is expected to be less than £74 million in 2015/16. This represents less than 1% of gross revenue expenditure.

Forces can also gain income from reimbursements from other forces of public bodies for services provided on their behalf. Guidance on mutual aid cost recovery is provided by the National Police Chiefs' Council

In 2015/16, police forces in England are expecting to raise £74 million of income from Special Police Services

Reimbursed services from all sources are expected to worth £344 million, with 55% being payments between forces.

Source: CIPFAStats, Police Estimates 2015/16

¹⁴ See the written statement by Policing Minister, Mike Penning MP, [HC Deb 17 December 2014](#), c99-106WS

¹⁵ CIPFAStats, Technical Information Service online - Police Funding

¹⁶ National Audit Office, *Financial sustainability of police forces in England and Wales*, p13

¹⁷ [HC Deb 17 December 2014](#), c99-106WS

¹⁸ Association of Chief Police Officers, *ACPO and APCCs Guidelines on Charging for Police Services*, 2015

(NPCC), the successor body to the Association of Chief Police Officers (ACPO).¹⁹

Forces in England are expected to raise £344 million for reimbursed services in 2015/16. Only 45% of this money is from public bodies other than the police. £190 million (or 55%) is funds recycled from other forces.

Some income is generated from forces' responsibility to administer the licence requirements for firearms and shotguns. Fees vary depending on the license being granted. No separate figures of earning from firearms licenses are available. In 2013 ACPO estimated that the cost of administering firearms licenses cost police forces in England and Wales £17 million.²⁰ Fees for licenses were raised in 2015, the first time in 14 years the cost has increased, and the increase is designed to fully cover the cost of administering the system once the process is delivered through an IT enabled system.²¹

1.2 Wales

In Wales, part of police funding is devolved. Most funding for the four forces in Wales comes from the Home Office via the Police Grant Report in the same way as English forces. In Wales, the equivalent funding previously provided by the DCLG in England is devolved to the Welsh Government in Cardiff.

Police Main Grant allocations to Welsh forces within the Police Grant Report are subject to an additional adjustment. This 'damping' redistributes about £8.8 million of formula funding that would otherwise have been allocated to South Wales if the formula had been strictly applied. In 2015/16 this was redistributed as follows: £3.2 million to Dyfed-Powys Police, £1.1 million to Gwent Police and £4.6 million to North Wales Police.²²

South Wales does not receive any additional funding in its role as the police force for the capital city, Cardiff.

The Welsh Government funding to PCCs still forms part of the local government finance settlement and is paid under provisions of the *Local Government Finance Act 1988* and must be approved by the National Assembly for Wales. The amount paid to the four police forces is made up of revenue support grant and redistributed business rate income.

Wales is not included in the business rate retention scheme.

As in England, the Police Grant and formula grant is un-ringfenced and paid to Police and Crime Commissioners, who are responsible for setting budgets and priorities for their police force area. The financial relationship between PCCs and chief constables in Wales is the same as in England.

¹⁹ National Police Chiefs' Council, *National Policing Guidelines on Charging for Police Services: Mutual Aid Cost Recovery*

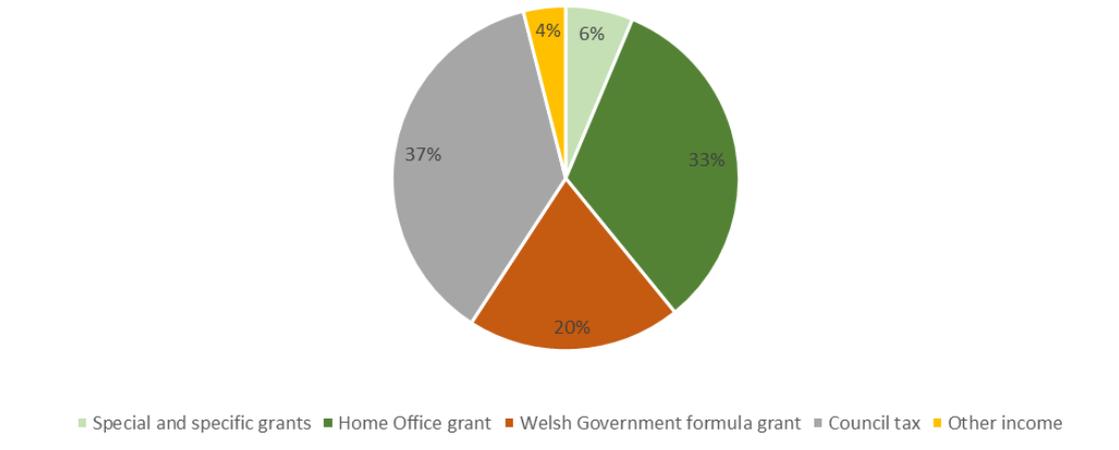
²⁰ ACPO, *Firearms licence-holders are no cash cows*, 1 November 2013.

²¹ See the consultation document and impact assessment available on the gov.uk website

²² Police Grant Report 2015/16

Box 4:

Sources of gross revenue expenditure by police forces in Wales 2015/16
 Source: CIPFA Stats, Police service estimates 2015/16

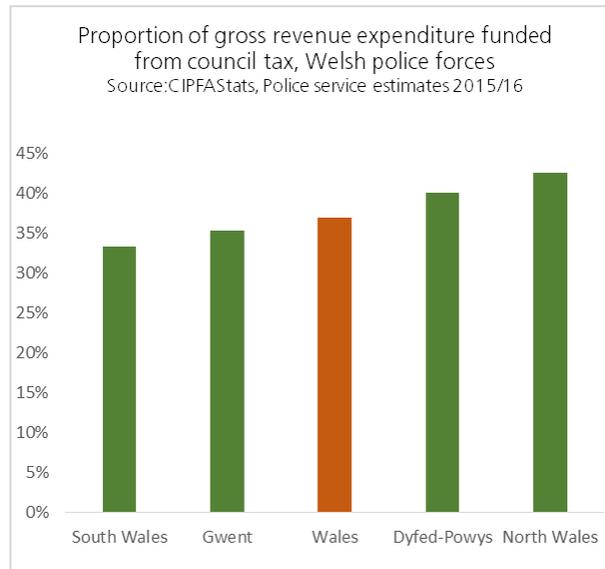


Box 4 shows the proportion of gross revenue expenditure of police forces in Wales by source. A third come from Home Office Police Grant and a fifth comes from the Welsh Government grant.

Council tax

In Wales the four PCCs also set a precept to be added to council tax bills.

A greater proportion of police funding comes from council tax than in England, 37% compared with an average of 24% in England. There is much less variation between the forces than in England.

Box 5:

In Wales, local authorities, including PCCs, are not subject to local council tax referendums. However, the Welsh Government still retains the power to cap council tax increases of local authorities and precepting authorities but in practice it does not use them.²³

The Welsh Government has not offered local authorities council tax freeze grant.

Box 6 shows the percentage increase in average Band D council tax precepts for the four police forces in Wales compared to the consumer price index measure of inflation (CPI) for April at the start of each financial year.

In general the increase in the police precept has been greater than CPI. In 2011/12 only the South Wales Police Authority increased its precept greater than CPI and in 2012/13 South Wales and Dyfed Powys police authorities increased their precepts by more than CPI.

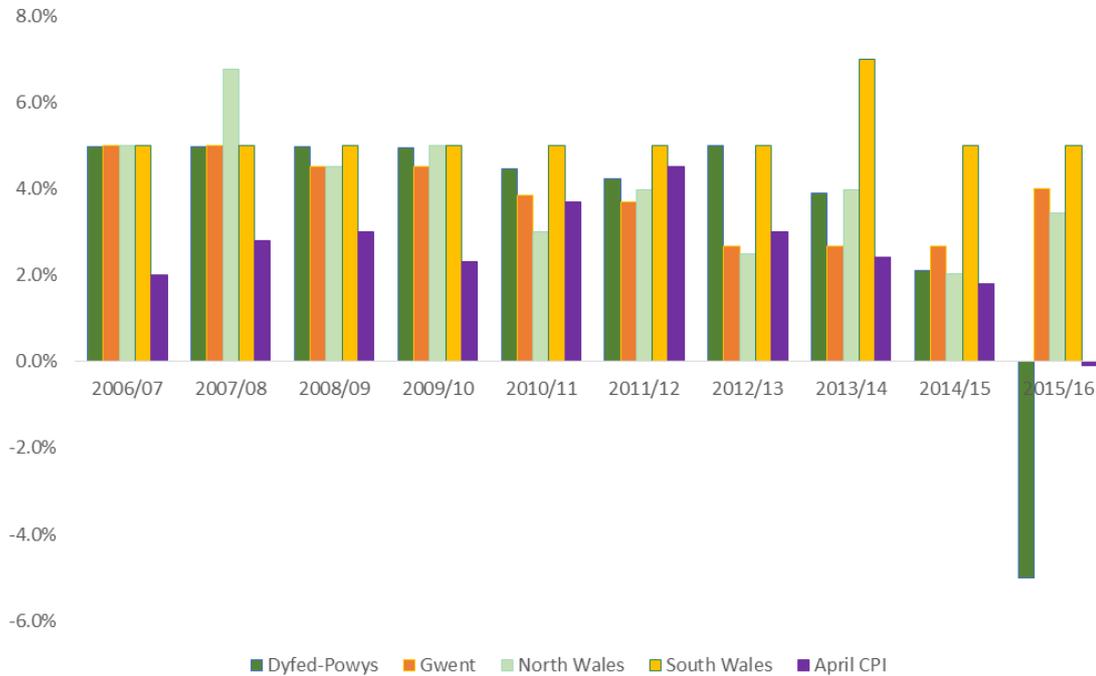
Since 2013/14, when police and crime commissioners became responsible for setting police precepts, precepts have risen faster than CPI on all but one occasion. In 2015/16 the PCC for Dyfed Powys reduced the police precept by 5%, at a time when CPI was almost zero. The other three PCCs increased their precepts by an average of 4%.

²³ CIPFA, *Caping in Wales*, accessed 28 July 2015.

Box 6:

Annual increase in average band D council tax police precept, Wales, 2006/07-2015/16

Source: StatsWales Council tax rates



Note: Police authorities were responsible for council tax precepts up to 2012/13. The first precepts set by police and crime commissioners were for the 2013/14 financial year

Since PCCs have been responsible for the precept in Wales, South Wales had had a 7.7% real terms increase police precept, North Wales has had a 3% and Gwent has had a 4.2% real terms increase. Dyfed Powys has seen a 5.3% real terms decrease because of the reduction in 2015/16.

As noted above, the amount of gross revenue expenditure of police funded by council tax in Wales is 37% in 2015/16. This compares with 29% in 2010/11. The reductions in central government grant and the greater freedom to raise council tax precepts has led to this increased share of gross revenue expenditure coming from council tax bills in Wales.

1.3 Scotland

Police funding in Scotland is devolved.

Before 2013/14 the main elements of police funding in Scotland were similar to those in England and Wales with police funding split between government grant and local authority funding. The balance of revenue funding between central and local government was historically approximately 51:49. There were eight police forces covering Scotland.

Since April 2013 Scotland has had a single police service, the Police Service of Scotland (PSoS), which is centrally funded by the Scottish Government.

The Police Service of Scotland has no power to raise money through council tax. However, after reform local authorities have been able to fund additional police officers to work on particular priorities within their local areas. In evidence to the Scottish Parliament Justice Committee's scrutiny of the 2015/16 Scottish Government's budget the Chief Constable of Scotland said that 329 officers are funded by various councils across the country, with Edinburgh City Council and Glasgow City Council contributing around two-thirds of this funding. He highlighted that "some of the smaller contributing councils have said that they might find things more difficult next year".²⁴

The Scottish Police Authority (SPA) receives funding through the Scottish Parliament annual budget allocation which must be approved by the Scottish Parliament. The SPA then allocates funding to the Chief Constable of PSoS to deliver the annual police plan.²⁵ The SPA also retains about 10% of the funding for some central services and running costs.

In 2015/16 the SPA departmental expenditure limit was set at £1.064 billion. Just over £28 million of the total allocation was for capital spending.

The Scottish Government also administers directly the Police Central Government budget. In 2015/16 this was just over £100 million and it funds the Police Investigation & Review Commissioner (PIRC) and certain central aspects aimed at generating efficiencies and savings associated with police reform.

As in England and Wales, Police Scotland receives additional income from policing special events and firearms certificate charges.

²⁴ Justice Committee, *Report on Draft Budget 2015-16*, p12

²⁵ See SPICe briefing on police funding for an overview of arrangements in Scotland. *Police Funding*, October 2013.

1.4 Northern Ireland

Policing arrangements in Northern Ireland are different to those elsewhere in the UK.

In Northern Ireland there is a single police service. The Police Service of Northern Ireland (PSNI) was established in 2001 and is centrally funded by the UK government. The PSNI bids for funding from the UK Treasury through the Northern Ireland Policing Board.

The Policing Board is made up of ten political members who are also members of the Northern Ireland Assembly and nine independent members. The Board holds the Chief Constable of the PSNI to account and has a separate budget.

The PSNI cannot raise funds through local taxation and cannot borrow funds or hold strategic reserves but it is given an additional grant for security funding.

In 2015/16 the PSNI resource funding is £661.5 million which includes an additional £20 million from the Northern Ireland Executive.

Additional security funding in 2015/16 is £52 million which is part funded by HM Treasury (£29.5 million) and the Northern Ireland Executive (£22.5 million). An additional £9 million is available for capital funding.²⁶

²⁶ PSNI, *Medium term resource plan – 2015/16*, February 2015

2. Funding reductions

According to figures from the National Audit Office (NAO), from 2010/11 to 2015/16 central government grant to police and crime commissioners and their equivalents in London including specific grants and council tax freeze grants has reduced £2.2 billion in real terms. This represents a 22% real terms reduction.

These reductions are in line with the Coalition Government announcement in 2010 that central funding provided to the police service would reduce by 20% in the four years between March 2011 and March 2015.

The NAO measured direct funding to police forces in England and Wales (excluding the City of London Police where full data was not available). This was the formula and specific grant made available to area police forces and excluded the amount reallocated to fund grants which supported the police sector more generally. Based on these figures central grant to police forces has decreased in 25% in real terms from 2010/11 to 2014/15.²⁷

The figures for individual forces were fairly similar, with real terms reductions for individual forces varying from 24% for North Yorkshire to 26% for most English forces and all the Welsh forces.

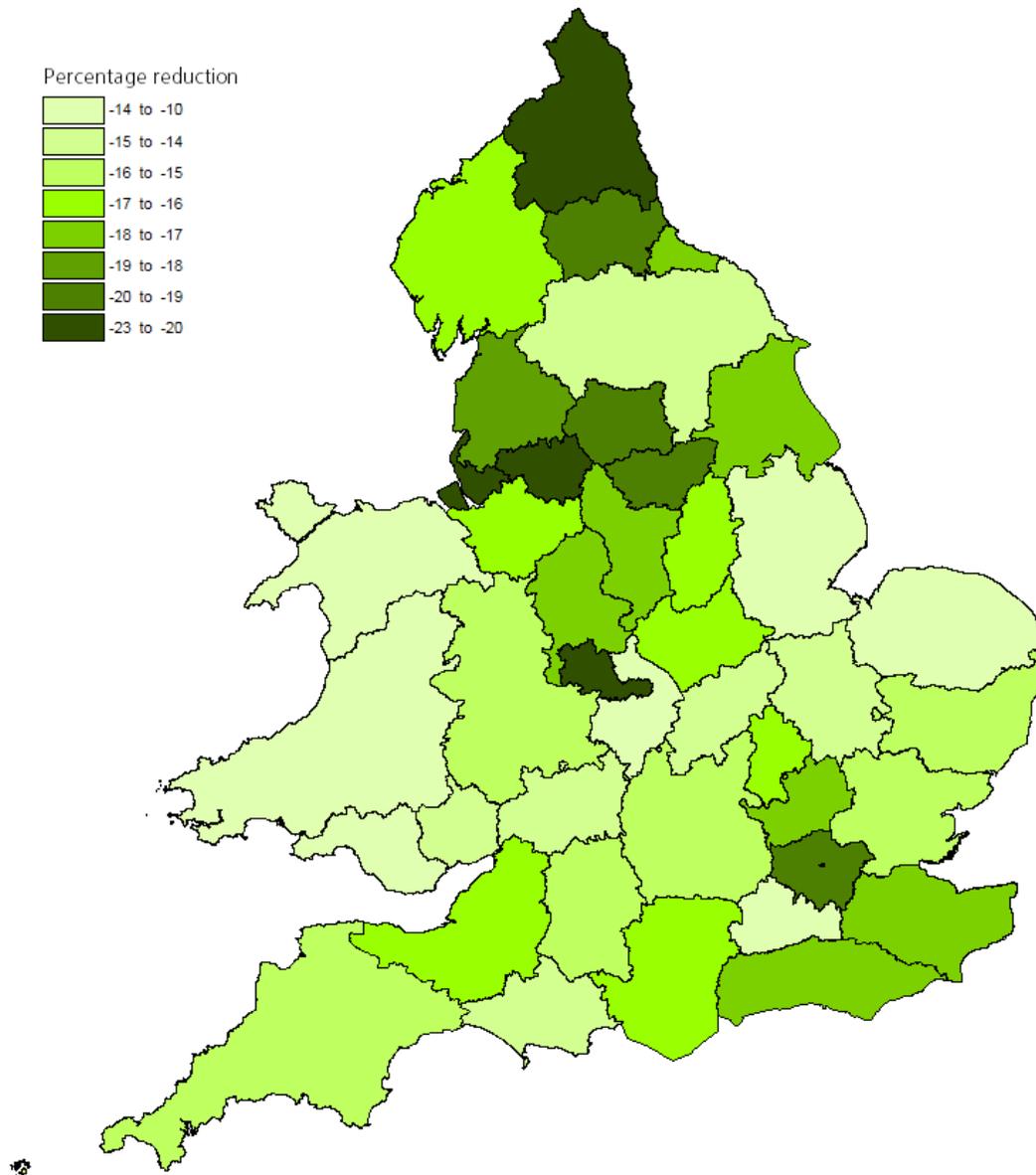
Since 2014/15 formula allocations have not been recalculated and Police Grant Report allocations for police forces have been reduced by a set percentage with all forces receiving the same percentage reduction.

As mentioned above, PCCs in England and Wales can raise funds locally through council tax precepts. 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. Those most reliant on government funding have been most affected.

The NAO analysis shows that real-terms funding once local taxation had been taken into account saw a much wider range between individual forces. The average reduction for all forces was 18% but the range for individual forces was a real terms reduction of 12% for Surrey, which has the lowest reliance on central government funding, to 23% reductions for Northumbria and West Midlands, the two forces most reliant on government grant (see Box 7).

²⁷ National Audit Office, *Financial sustainability of police forces in England and Wales*, p19

Box 7: Real terms reduction in police funding – central government grant and council tax precept – 2010/11 to 2015/16



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With the majority of police force budgets being spent on pay, financial cuts were likely to have an effect on the size of the workforce. At the beginning of the process of reductions Her Majesty's Inspectorate of Constabulary (HIMC) inspected all forces to assess their plans for savings. Forces were expecting to reduce workforces by 34,100.

Actual reductions in police workforce from March 2010 to March 2015 totalled 37,400. The table below shows the changes in workforce forces in England and Wales were planning for and those actually achieved.

Police forces have reduced police officer numbers by about 16,600 (nearly 12% of officer), which is 500 more than originally planned. However, the reduction in police staff and police community support officers (PCSOs) has been greater than planned. There are a fifth fewer police staff, nearly 16,000 fewer compared to the planned reduction of 12,500. There has been a reduction of over a quarter of PCSOs. Initial estimates were for a reduction of nearly 2,000 of the 17,000 PCSO FTEs. The actual reduction has been more than 4,500.

Planned and actual reductions in police workforce 2010-2015

	Actual FTEs March 2010	2011 Planned FTEs March 2015	% change from 2010	Actual FTEs March 2015	Actual % change from 2010
Police officers	143,734	127,600	-11.2%	126,818	-11.8%
Staff	79,596	67,100	-15.7%	63,719	-19.9%
PCSOs	16,918	15,100	-10.7%	12,331	-27.1%
Total	240,248	209,800	-12.7%	202,868	-15.6%

Sources:

Home Office Police workforce statistics

HMIC Adapting to Austerity 2011

As with funding in general, the reductions in the number of officers has varied between forces. Box 8 shows the reduction in the number of full-time equivalent (FTEs) police officers with the line showing the proportion of officers lost.

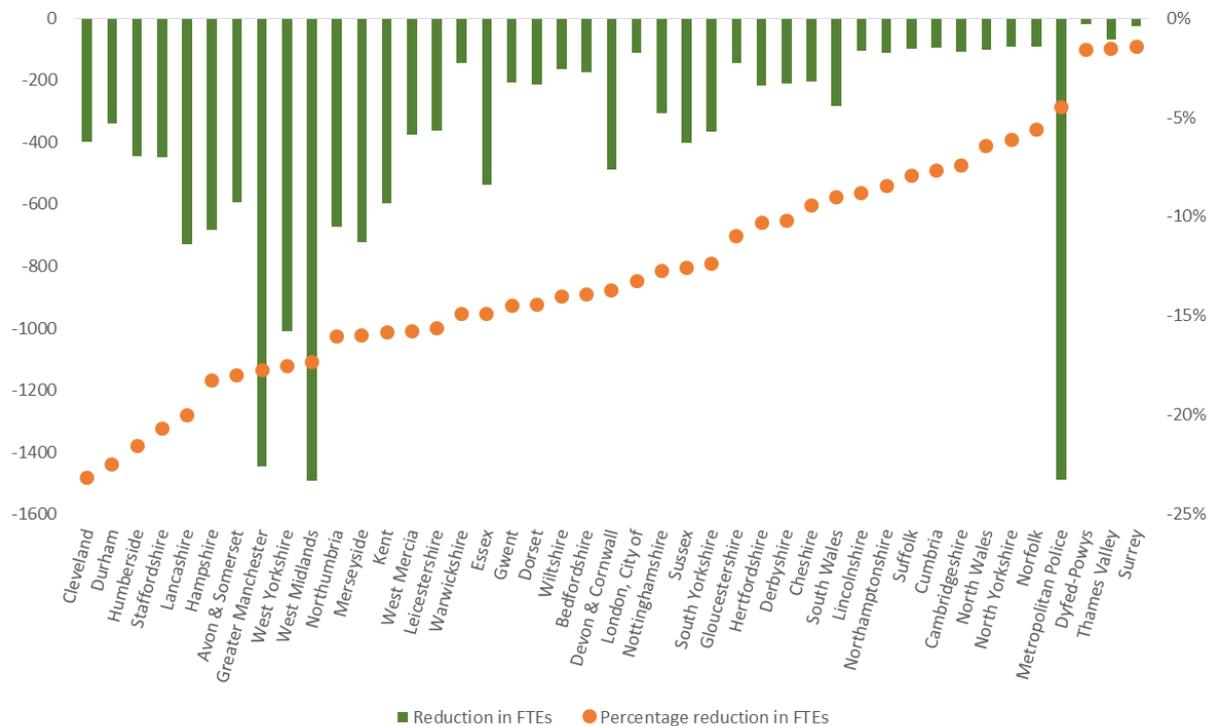
The national average is a 12% reduction in police officers. Individual forces range from Cleveland, which has seen a reduction in police officer numbers of 23% to Surrey which has lost 1% of its police officers.

Some of the largest reductions, both in absolute numbers and the proportion of officers, have been in Greater Manchester and the West Midlands police forces.

Box 8

Change in police officer FTEs - total number and as percentage of police officer FTEs -
March 2010 to March 2015, England and Wales

Source: Home Office police workforce statistics



In the next Spending Review HM Treasury is inviting government departments to set out plans for reductions to their Resource budgets. In line with the approach taken in 2010, HM Treasury is asking departments to model two scenarios, of 25% and 40% savings in real terms, by 2019-20.²⁸ As the Home Office is an unprotected department police forces are already planning on further reductions in Home Office funding.

The Police Federation view is the number of forces need to reduce in order to make sufficient savings from further cuts in Home Office funding.²⁹

Police force mergers were considered by Labour while in government in 2005 following a HMIC review of the structure of policing,³⁰ and it was reported that Labour were again considering reducing the number of forces in early 2014,³¹

However, the Government's view is that savings can be achieved without the need for restructuring. In March the policing minister, Mike Penning MP, said:

²⁸ HM Treasury, *A country that lives within its means Spending Review 2015*, p7

²⁹ Police Federation, *Ministers 'must cut number of forces for police services to survive'*, 22 July 2015

³⁰ HMIC, *Closing the Gap; A review of the 'fitness for purpose' of the current structure of policing in England and Wales*, September 2005.

³¹ Birmingham Post, *Labour's plan to revive police force mergers*, 27 February 2014

It is not necessary for forces to merge in order to become more efficient. Chief constables and police and crime commissioners are demonstrating that they can collaborate in order to make efficiency savings without sacrificing the local accountability and identity of their forces. A programme of force mergers would also impose significant transition and reorganisation costs on the police.³²

The NAO report on the financial stability of police forces highlighted HMIC data that showed savings from collaboration vary significantly between forces. In 2014/15 HMIC estimated that the West Midlands force made none of its required savings from collaborative work.³³ In total, 21 forces were estimated to make less than 10% of their required savings from collaborative work.

It should be noted that the HMIC only rated two of these 21 forces, Gwent and Nottinghamshire, as 'requires improvement' in their individual force assessments in responding to austerity.³⁴ West Midlands police was rated 'outstanding' overall in dealing with austerity. Other forces rated as 'outstanding' overall in this group were Staffordshire, Lancashire, and Avon and Somerset.

In Scotland in 2007 the SNP pledged to increase the number of police officers by a 1,000 from the March 2007 figure of 16,200. The number of police officer FTEs has remained above 17,200 in every quarter since quarter 2 of 2009.³⁵

The table below shows budgets for the Scottish Police Authority for the three financial years since reform. The resource budget has been reduced 6% in cash terms (about 9% in real terms).

Scottish Police Authority budget 2013/14-2015/16			
	Resource	Capital	Total
2013/14	1,107.2	18.3	1,125.5
2014/15	1,057.4	25.2	1,082.6
2015/16	1,035.8	27.7	1,063.5

Source: Scottish Government draft budgets

A key driver for police reform was to deliver substantial savings from 2014-15 onwards. The Financial Memorandum (FM) on the Police and Fire Reform (Scotland) Bill, published in 2012, estimated the total net savings from police reform to be in excess of £1.1 billion by March 2026.³⁶

In Northern Ireland the PSNI identified £135.2 million of savings required during the Spending Review period 2011-2015. In its latest

³² PQ [227570] 13 March 2015

³³ National Audit Office, *Financial sustainability of police forces in England and Wales*, pp25-6

³⁴ Force level assessments are available on HMIC's [Policing in Austerity: Meeting the Challenge](#) web pages.

³⁵ Source: [Police Officer Quarterly Strength Statistics Scotland](#)

³⁶ *Police and Fire Reform (Scotland) Bill (2012). Financial Memorandum* (contained in Explanatory Notes).

assessment of PSNI, HMIC highlights the force's unique challenges in having to use a 'significant proportion of available police resource in investigating historic crimes and responding to the demands of the community and courts for information relating to past investigations'³⁷

HMIC assessed the PSNI 'has not yet moved to an operating model which can be funded by its allocated budget.'³⁸

³⁷ HMIC, *Responding to austerity, Police Service of Northern Ireland*, March 2015, p5

³⁸ *Ibid*, p7

3. Proposals for reform in England and Wales

In July 2015 the Government issued a consultation on reforming the way police forces in England and Wales are funded by central government.³⁹ This follows a year-long internal review of the current system by the Home Office which involved consultation with police forces.⁴⁰ The consultation closed on 15 September 2015 and the Government are currently analysing the feedback.

The review does not affect police and crime commissioners' ability to raise council tax precepts. The proposals do not cover specific grants such as the Police Innovation Fund and the Counter Terrorism Police Grant.

The Government consulted on whether the existing model should be retained, whether the current model can be modified or whether to introduce a new funding model. Its five guiding principles for future funding arrangements are robustness, stability, transparency, future proofing and to provide an incentive to achieve Government objectives.

The consultation document gives the Government's preferred option: replacing the current grant system with a simplified and more transparent system. The Government's intention was that the new model should be introduced in time for 2016/17 allocations.⁴¹ However, after it was revealed that a statistical error had been made in the police funding calculations used in the consultation, the Government announced it would delay any implementation of the funding formula changes for 2016/17, meaning they would not come in until 2017/18 at the earliest.⁴²

In recent years the Police Grant Report has been announced in December in the year preceding the financial year to which it applies.

As well as consulting on the proposed new model, it includes questions on whether stakeholders think the existing arrangements with the LICE Allocation Formula should be continued or whether the formula should be modified and updated.

The consultation makes clear that the Government does not think either proposal is consistent with the guiding principles of a good funding model.

³⁹ Home Office, *Consultation on reform of police funding arrangements in England and Wales*, July 2015

⁴⁰ Public Accounts Committee, *Oral evidence: Financial sustainability of police forces in England and Wales*, HC 288, p3

⁴¹ *Ibid*, p27

⁴² Urgent question on the Police Funding Formula, [HC Deb 9 November 2015 c26](#)

3.1 Current funding model

The two main elements of the Police Grant Report, the Police Main Grant and the formula DCLG grant are both based on complex formulae.

Home Office formulae

The Police Allocation Formula (PAF) determines the allocation of central government funds between the 43 police force areas of England and Wales. It is not a measure of the total resource needed by police forces but a calculation of distributing the total general funding made available by the Home Office between forces based on their relative need.

The calculations are based on the estimated workload of each police force area and cover:

- crime related activity
- non-crime activity (eg providing public reassurance or road traffic accident assistance)
- policing special events
- policing sparsely-populated areas
- workload weighting calculation for cost and time which include an area cost adjustment for variation in labour market costs in different areas.

Population and socio-economic factors are also included in the calculations. These include population estimates, density and daytime net-inflow and factors such as the number of single parent households, student households, numbers of benefit claimants and number of bars per hectare.

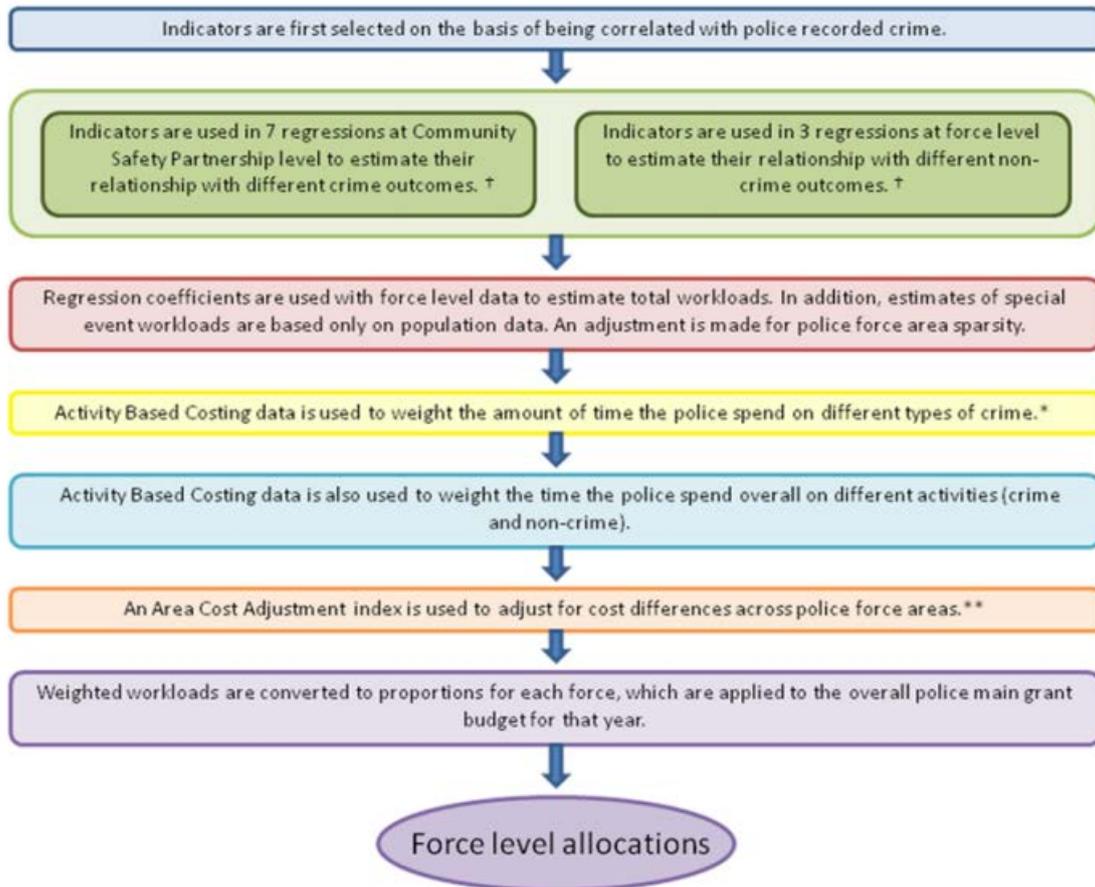
Built in to this are a set of 10 regression analyses calculations that estimate the relationship between the variables using a mixture of the indicators. For example for robbery is based on population density and proportion of long-term unemployed.

Once workloads are estimated and weighted for each force, they are then calculated as a share of total workload for England and Wales. These shares are subsequently applied to the Police Main Grant to produce individual force-level allocations.⁴³

Box 9 shows a chart reproduced from the Home Office consultation and shows the complex eight step process determines the proportion of Police Main Grant to be allocated to each force area.

⁴³ Annex B of the consultation document gives further detail on the technical aspects of the formula funding

Box 9: Police Allocation Formula summary diagram



- † Refer to Annex B for details of the outcome variables and indicators used in the PAF.
- * An Activity Based Costing exercise was carried out annually from 2002/03 to 2007/08 over a two-week period when police officers would record what they had been doing for each 15 minute period.
- ** The Area Cost Adjustment, produced by DCLG, takes into account differences in labour costs between areas as well as differences in business rates paid on local authority premises and buildings.

Note: Annex B refers to the technical annex in the consultation document.⁴⁴

One of the criticisms of the PAF is that the data being used is out of date. Many of key population indicators are taken from the 2001 census and the benefit claimant information is taken from Department of Work and Pensions information from 2004.

The National Debate Advisory Group, made up of experts from across policing was convened in November 2014 to support a national debate on the future of policing as recommended in HMIC’s report, *Policing in Austerity: Meeting the Challenge*. In its report it described the current grant funding arrangements overseen by the Home Office as:

⁴⁴ Home Office, *Consultation on reform of police funding arrangements in England and Wales*, July 2015, Annex B

highly complex, opaque and, through its reliance on out of date data and regression, distant from current policing reality. This is a particular weakness as it focuses on the past rather than reflecting real needs and being adaptable to future needs and does not take account of policing priorities to increase prevention and visible policing (as opposed to crime data) or the need for greater flexibility to work in partnership locally. There is also concern as to whether the formula can take account of predicted significant population growth in some force areas.⁴⁵

In the first session of the 2010 Parliament, the Home Affairs Select Committee examined police finances in light of the proposed cuts to public spending. Although not examining the PAF in detail the Committee commented:

The complexity of the formula leads to fragility which in turn makes the outcome unpredictable. Ministers in successive Administrations have sought to improve the formula, but with limited success.⁴⁶

At that time the Government responded by saying:

The Police Allocation Formula funds Forces on the basis of their relative estimated workload. This estimation may be complex but this is the basis for the PAF's accuracy and is therefore a strength rather than a weakness. The Formula is regarded by many policing partners as a robust and credible tool for allocating funding.⁴⁷

The Government now shares the view that the existing funding model is no longer appropriate because it relies on historic data which no longer fully reflects changes to relative need over time. In an evidence session to the Public Accounts Committee in July 2015, the Permanent Secretary to the Home Office, Mard Sedwill, said that the 'old funding formula had become more and more detached from the real demands of policing'.⁴⁸

The consultation document considers the possibility of updating the Police Allocation Formula, first introduced in 2006/07. The Government considers this option does not meet its criteria for a future model. Much of the data is out of date, most census elements date from 2001, and the statistical models have not been updated since 2006/07.

The activity based costing data to divide resources between crime and non-crime activity has not been updated since 2007/08. No suitable alternative current data on how police spend their time and resource exists.

The College of Policing report on estimating demands on police time points to reliable national data being limited but found that there is some consistency across data sources to support the suggestion that while recorded crime has reduced, demand on the police has grown in other ways. Some of those highlighted in the report include:

⁴⁵ National Debate Advisory Group, *Reshaping policing for the public*, p40

⁴⁶ Home Affairs Select Committee, 6th Report *Police Finances*, 2010-12, HC 695

⁴⁷ Home Office, *The Government Response to the Sixth Report from the Home Affairs Select Committee Session 2010-11 HC 695*, Cm 8093

⁴⁸ Public Accounts Committee, *Oral evidence: Financial sustainability of police forces in England and Wales*, HC 288, Q55

- The changing mix of crime means activity based costing data does not account for the increase time spent on more 'costly' and complex crimes such as child sexual exploitation.
- Incidents involving people with mental health issues appear to be increasing.
- Some forces report that workloads from Multi-Agency Risk Assessment Conferences, where agencies share information about high risk victims of domestic abuse in order to produce a coordinated action plan to increase victim safety, and providing data on vulnerable adults and children to public protection units have increased.

DCLG formula grant

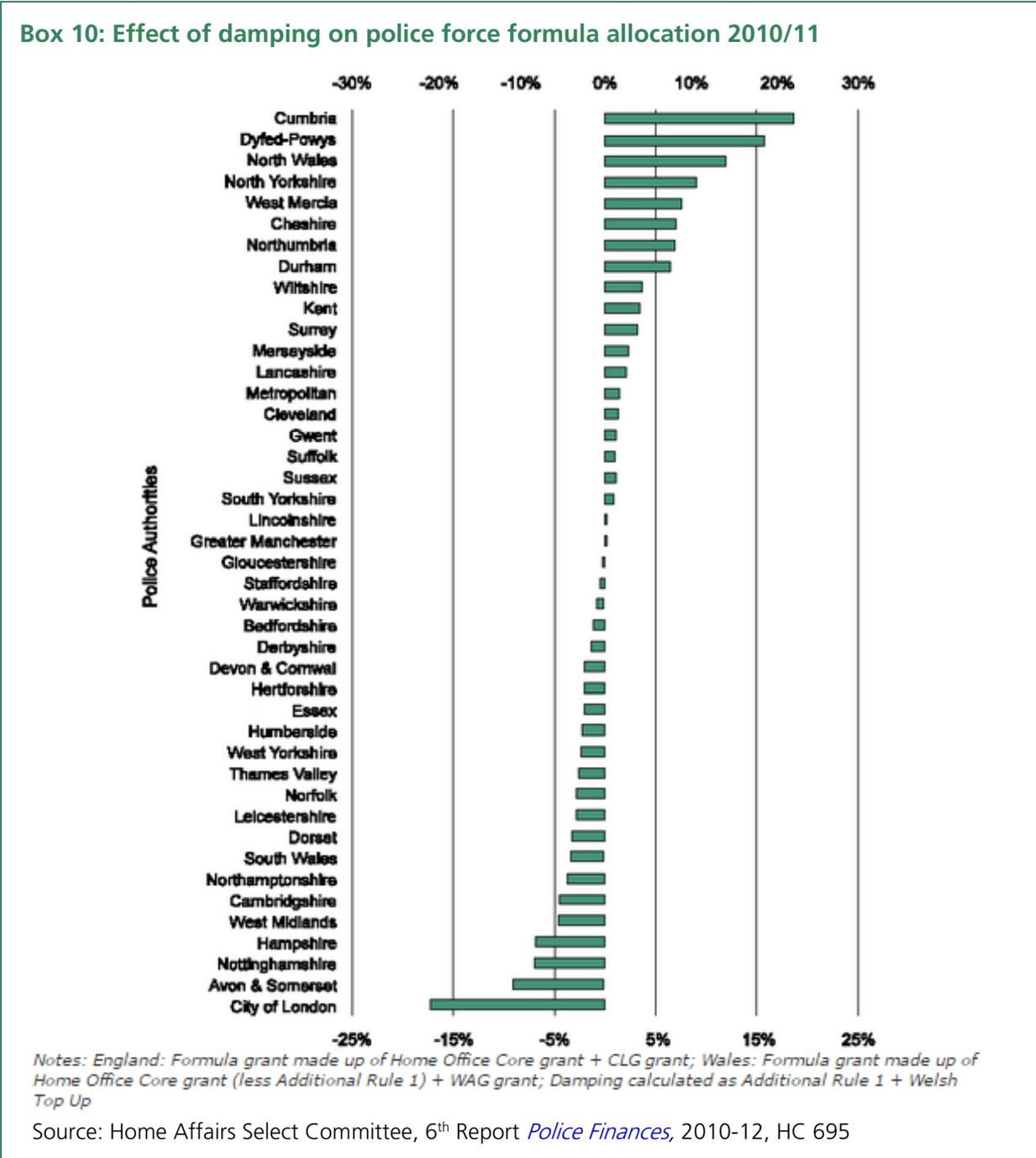
The funding to police and crime commissioners formerly received through the DCLG local government finance settlement was also subject to formulae to calculate grant levels.

The DCLG grant was part of the local government finance settlement and was subject to what was known as the four block model (FBM). The four blocks were:

- Relative needs – for police forces this relied on the estimated workload allocations produced by the Home Office PAF to initially identify the force with the lowest workload per head of population. Workload per head of population above this minimum was then calculated for all force areas to work out their relative need. Like PAF this is not an assessment of the forces actual needs to provide local policing but to reflect various factors that effect a police forces costs locally.
- Block 2: Relative resource - this took into account an authority's ability to raise funds locally through council tax. Forces were compared with the force area with the lowest council taxbase per head. It generated a negative figure and reflected the fact that forces that can raise more council income tax locally need less support from government to provide services.
- Block 3: Central allocation – Once the relative need and the relative local resources available had been taken into account there was an amount of money left in the overall revenue support grant pot. It represented the basic funding allowance per head of population for each force area. This was shared out on a per head basis and was based on the minimums already calculated in the first two blocks
- Block 4: Damping - Once the results of the previous three blocks were applied a notional total was arrived at for each force. Damping was used to reallocate amounts from within the total amount of formula funding set by the DCLG to ensure that each force area received at least a set percentage change, known as the floor, in funding from the previous year. This was self-financing so police forces below the floor would receive a positive adjustment to their final allocation whereas forces above the floor would receive a negative adjustment.

The effect of damping was examined by the Home Affairs Select Committee in its report on Police Finance in the first session of the 2010 Parliament.

Box 10 shows the Committee’s analysis of 2010-11 grant allocations and the difference in percentage terms between actual grant and the amount of ‘full’ grant that would have been paid without damping.



West Midlands PCC, David Jamieson, is critical of damping. In his annual report for 2014/15 he has stated damping has cost the West Midlands Police £367 in 8 years.⁴⁹ The Avon and Somerset Chief PCC, Sue Mountstevens, has estimated that her force has lost £110 million since 2006 because of damping.⁵⁰

⁴⁹ West Midlands Police and Crime Commissioner, *Annual Report 2014/15*, August 2015, p4

⁵⁰ Avon and Somerset Police and Crime Commissioner, Avon and Somerset PCC, *Sue Mountstevens, welcomes police funding overhaul*, 23 July 2015

Other former DCLG funding

In addition to formula grant from the DCLG police forces in England receive legacy council tax grants. This is a result of police and crime commissioners' ability to raise council tax precepts.

Since 2011/12 the Government has offered local authorities, including PCCs, additional grant on condition that the local authority does not increase its precept of the council tax. This is known as Council Tax Freeze Grant. This does not apply in Wales.

The levels of Council Tax Freeze Grant have varied each year. The grant for 2012/13 was a one of payment but grant in other years has been recurring to compensate PCCs for the lost income. These payments continued in 2015/16 and amount to £68.9 million. This does not include 2015/16 Council Tax Freeze Grant. Six PCCs froze their council tax precepts in 2015/16 and received total funding of £4.2 million from DCLG. This is expected to be transferred to the Home Office in 2016/17.

In 2013/14 the Government localised council tax support. Rather than applying to the Department for Work and Pensions for refunds on council tax benefit local authorities now administer and pay for their own council tax schemes. The DCLG provided additional funding to PCCs from 2013/14 to fund this change. In 2015/16 this is worth £434.3 million.

In 2014/15 these funding streams transferred from DCLG to the Home Office. Since then they have been paid out as part of the annual police funding settlement as un-ringfenced grant funding, separate to Police Main Grant.

3.2 Proposed new funding model

The Government's new proposal is to introduce a simplified funding model based on three broad levels that capture the drivers of crime and demand on police time:

- Population levels
- The underlying characteristics of the local population
- The environmental characteristics of police force areas.

In the Government's original consultation these broad areas provide five indicators which would be used to determine funding.⁵¹ These are summarised in Box 11 below.

⁵¹ Chapter 6 of the [consultation document](#) details the proposed new model

Box 11: Summary of proposed indicators and their weightings with

Indicator	Population	Band D equivalent properties	Households with no adults employed and dependent children	Hard pressed population	Bar density
Weighting	24%	16%	25%	25%	10%
Data sources	ONS and StatsWales mid-year population estimates	DCLG and StatsWales council taxbase statistics	ONS Census data	Acorn population classification data from CACI Ltd	Inter-Departmental Business Register and Census both from ONS
Frequency of data update	Annual	Annual	10 years	Annual	IDBS = annual Census = 10 years

The first two factors, population and the local council taxbase are the core elements of the model. The Government believes that ability to generate precept income should be factored into any new police funding model but that it would not be appropriate to take into account differences in actual precept levels based on local areas making different choices over time, as this is not consistent with local accountability.

The Government considered a broad range of 25 population characteristics. After its analysis the Government has identified two socio-economic factors that are closely correlated with the patterns of crime seen between different areas over time. These were households with no working adult and dependent children and 'hard pressed' population. The 'hard pressed' population indicator is used in the current PAF and includes groups such as low income people and families, single parent families, old people and single parent families in high-rise flats, multi-ethnic people on housing estates or in crowded flats.

A single environmental factor was included, the density of bars within the police force area, because of the strong relationship between bar density and drivers of crime and demands on police time. The total number of bars, including night clubs, social bars and public houses is divided by the police force area.

There are no indicators of non-crime demands on police time. Non-crime demands on police forces are often linked to issues of vulnerability, public protection and safeguarding. There is also no consideration of the rural/urban nature of a police force. Rural forces point to the additional cost of policing sparsely populated rural area and the existing formula includes an element for sparsity of population.

The consultation seeks responses in relation to including non-crime indicators, such as mental health services or child protection, within the new model.

Calculating allocations

Under the current proposals the funding for an individual police force will be calculated in two stages.

Stage 1 will see the Home Office divide the total funding available for that year's settlement between the five indicators based on the weightings shown in Box 4 above.

For example, if £1 billion was available, 24%, or £240 million, would be available for the population indicator and 16%, or £160 million would be available for the council taxbase indicator, etc.

Stage 2 would allocate the share for each indicator between police forces based on the proportion of each indicator within that police force area.

For example, a police force with 4% of the total population of England and Wales would get 4% of the £240 million allocated to the population indicator, equal to £9.6 million.

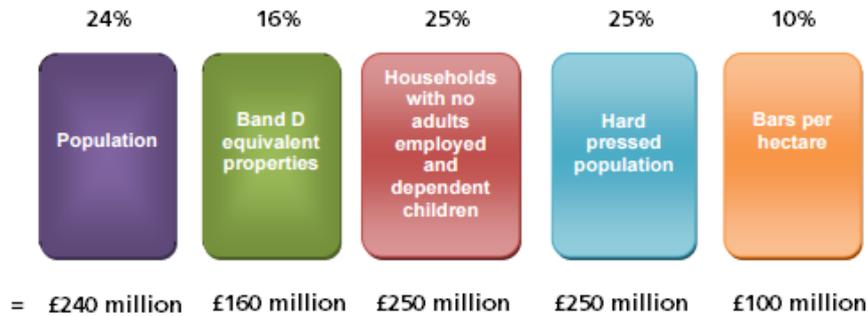
The police force would then get allocations for each of the five indicators based on its proportion of the England and Wales total for that indicator.

The police forces allocation would then be the sum of the five sub-totals for each indicator. Box 12 below shows an example of how this would work based on the flow diagram given in the consultation document.

Box 12: Example of how funding would be allocated

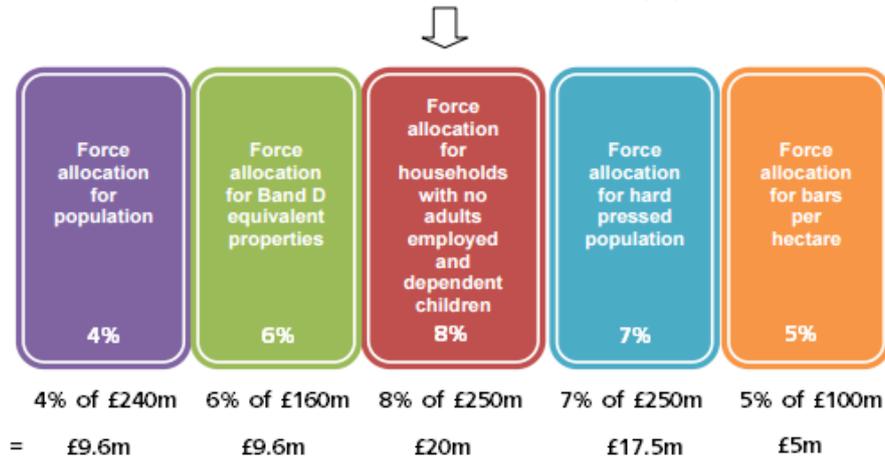
Amount available for distribution = £1 billion

Total funding is divided into a monetary share for each indicator based on the weightings for each indicator



Each force is given an allocation for each indicator based on that force's share of the total volume in each indicator.

For example, if police force A has 4% of the population of England and Wales it would receive 4% of the £240 million allocated to the population indicator.



Force-level allocations for each indicator are added to give the final force allocation
= £61.7 million

London

The Metropolitan police and The City of London Police currently receive additional funding through the National and International Capital City (NICC) payment.

This was created in 1997 and paid to the Metropolitan Police to reflect that the old formula did not adequately capture the needs of policing the capital city, such as policing special events and protests around Westminster.

The City of London Police were also awarded a NICC payment in 2014/15 and in 2015/16 both forces were required to bid for NICC funding for the first time.

In 2015/16 the Greater London Authority (GLA) on behalf of MOPAC received NICC funding of £173.4m. The Common Council, on behalf of the City of London Police, received a payment of £2.8m.⁵²

The Government proposes to continue NICC payments but is consulting on whether the arrangements should be enhanced. However, the consultation does not include details of how this should be enhanced other than to say it has worked with the two London forces and has identified that “the current funding arrangements do not appear to fully capture the challenges these forces face”.⁵³

Transitional arrangements

The Government accepts that a new funding model will result in some significant changes to allocations for some forces and that transitional arrangements will be required to allow forces to move to their ‘target’ allocations.⁵⁴

The consultation document lays out three potential approaches.

- Gradual approach.
This sets a maximum annual percentage change in a force’s change in funding to allow for steady and manageable progress to new allocation levels. In the worked example in the consultation document the Government anticipate this could take up to 10 years.
- Required approach.
In this approach a deadline for full transition to the new funding arrangements as 2019/20. This gives forces four financial years to move across to the new funding model. Some forces may require major changes which may not be easily absorbed.
- Enabled approach.
The enabled approach which takes into account individual forces’ financial circumstances. The model would take into account precept revenue, levels of reserves held by the force and a benchmark of efficiency. It is the most complex method of transition and would allow for varied rates of change to the ‘target’ allocation.

The Government’s preferred method is the enabled approach but the consultation highlights that the model is yet to be finalised. The Government is inviting views on which other financial factors could be included.

⁵² See Chapter 8 Arrangements for London forces of the [consultation document](#).

⁵³ Ibid, p31

⁵⁴ Chapter 9 deals with transitional arrangements.

3.3 Refinements to the formula

The Home Affairs Select Committee conducted an inquiry into the proposed reform.⁵⁵ In written evidence to that inquiry the Home Office provided details of refinements to the model following the initial consultation.⁵⁶

There were 1,700 responses to the consultation. The Home Office's written evidence stated that

Responses and engagement to-date have indicated a broad consensus that current arrangements need to be replaced, and the robustness of our overall proposed model has been confirmed through independent peer review by leading academics. However, responses have highlighted areas where an alternative approach might be better and where improvement could be made.⁵⁷

The Home Affairs Committee report summarised the refinements as follows:

- 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; and
- the model would reflect differences in regional costs through the application of an Area Cost Adjustment index.⁵⁸

As a result the Home Office proposed the following new weightings in the model:

⁵⁵ The [pages relating to the Committee's enquiry](#) can be found on the Parliament website and include the full report and transcripts of the evidence sessions

⁵⁶ Home Office written evidence [POF0006](#)

⁵⁷ Ibid, Paragraph 22

⁵⁸ Home Affairs Committee, *Reform of the Police Funding Formula*, 4th report of Session 2015-16, paragraph 17, page 7

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%

The Home Office written evidence pointed to further consultation:

The Policing Minister wrote to PCCs and Chief Constables on 8 October to provide detail of these refinements, set out the indicative force-level impact and to invite further comments. The model will not be finalised until this further engagement with policing partners has been completed.⁵⁹

⁵⁹ Home Office written evidence [POF0006](#), paragraph 32

3.4 Reactions to the consultation

Police and Crime Commissioners have generally welcomed the consultation as many share the view that the PAF is out of date. However, some have questioned elements of the proposed simplified formula.

There is also criticism that the consultation document does not include detailed assessments of how individual police forces could be affected by new funding and transitional arrangements.

The PCC for Essex, Nick Alston, has questioned how much account the new funding formula takes of police non-crime workload:

I am not sure that for example, the number of bars per hectare, is necessarily a reasonable measure on which to determine funding. This feels like a rather outdated proxy and doesn't, for example, take account of the increasing demands on police time by emerging challenges such as cyber-crime, child sexual exploitation and other hidden harms, which are areas where police are increasingly and rightly diverting their focus. They are also crimes that are complex and expensive to investigate. However evaluating a force's financial needs on population for example, of course makes sense, particularly for large counties such as Essex.⁶⁰

In Devon and Cornwall the chief executive of the Office of the PCC, Andrew White, has criticised the new formula for failing to recognise the pressures faced by rural forces:

It appears not to take any account of the increased demands faced by rural forces and in our case no account will be taken of the large population increases created by tourists in the summer and across the year. The new proposals still appear to maintain a metropolitan bias at the expense of forces like ours.⁶¹

Chair of the National Police Chiefs' Council, Chief Constable Sara Thornton said,

We are pleased that the Home Office is consulting on the police funding formula. The NPCC will respond as will individual forces based on their own circumstances.

But she noted that because of forces that rely more heavily on grant funding

a review of grant allocation on its own will not address the perceived inequalities between forces and could make the position worse for forces with lower precepts as a consequence of sitting in the upper quartile of grant distribution.⁶²

The NPCC has also stated that ideally multi-year funding settlements would better help forces to plan and innovate.⁶³

Labour's Shadow Minister for policing, Jack Dromey MP, has been critical of the lack of detail of the impacts on police forces in the

⁶⁰ Essex Police and Crime Commissioner, *PCC welcomes government review of central funding for police*, 24 July 2015.

⁶¹ Police Oracle, *Rural forces 'disadvantaged' by funding formula reform*, 23 July 2015.

⁶² National Police Chiefs' Council, *NPCC welcomes police funding formula consultation*, New release 22 July 2015.

⁶³ *Reshaping policing for the public: A discussion paper from the advisory group on the national debate on policing in austerity*, p46

consultation. He has called on the Home Office to publish estimates of individual forces funding allocations under the new formula.

The Police Foundation, an independent think tank that focuses on developing knowledge and understanding of policing and crime reduction, has produced its own analysis of the consultation.

It also criticises the lack of detail in the consultation, both at the level of how it reached its conclusions on which factors to include in the proposed funding model, and also in the impacts of the new funding allocations likely as a result of the consultation.

While the proposed model is simple, the evidence on which it is based is not.

In particular, the consultation is remarkably light on detail in some key respects, which means the reader is necessarily disadvantaged. This is 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, which is described in only high-level terms.

Furthermore, beyond noting that there would be some 'significant changes' for individual forces, the Home Office has not provided any information about what the proposed model would do to the current distribution of funding levels. This means that the consultation is an 'in principle' exercise in which consultees are again disadvantaged, unless they can assemble all of the data necessary to conduct the calculations themselves.⁶⁴

The Home Affairs Select Committee report of its inquiry into the proposed reform was published after the Home Office announced a delay to the reform process (see section 3.5 below).

The Committee reported that:

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. She also criticised the licensed bars per hectare indicator. 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. 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.⁶⁵

⁶⁴ Police Foundation, *Home Office police funding consultation: An opaque sticking plaster?*, 2015

⁶⁵ Home Affairs Committee, *Reform of the Police Funding Formula*, 4th report of Session 2015-16, paragraph 15, page 7

Following the refinements to the formula communicated to PCCs and forces, the Home Affairs Committee heard evidence which showed mixed reactions to the refinements:

The revised proposals were welcomed by some, but a large number of concerns remained. PACCTS said the update was “still not clear enough”, and Greater Manchester Police believed that many critical deficiencies still needed to be rectified. 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. 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. 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.⁶⁶

3.5 Delay to the reform of police funding

In the consultation on reforms to the police funding arrangements in England and Wales, the Home Secretary explained that it was the Government’s ambition, ‘to implement this new model from 2016/17, subject to securing broad support for the approach.’⁶⁷

In October 2015, the chief executive of Devon and Cornwall’s Police and Crime Commissioner’s office informed the Home Office that they were unable to replicate the data produced for the force in the consultation. On reviewing the figures, the Home Office admitted that there had been a statistical error in the calculations used in the consultation.⁶⁸

On 9 November 2015, in response to an urgent question, the Minister for Policing, Mike Penning, announced to Parliament that the proposed implementation for reform of police funding would be delayed for at least 12 months, stating:

I am sad to say that during this [consultation] process a statistical error was made in the data used. The data do not change to principles consulted on and the allocation provided to the forces was never indicative, but we 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

⁶⁶ Home Affairs Committee, *Reform of the Police Funding Formula*, 4th report of Session 2015-16, paragraph 18, page 8

⁶⁷ Home Office, *Consultation on reform of police funding arrangements in England and Wales*, July 2015, p5

⁶⁸ Home Affairs Committee, *Reform of the Police Funding Formula*, 4th report of Session 2015-16, chapter 4

the 43 authorities I wrote to during the extended consultation as part of the funding formula review.

For that and other reasons, the Government are minded to delay the funding formula changes for 2016/17 that we had previously intended to make, and we will seek the views of the police and crime commissioners and the National Police Chiefs Council before going any further.⁶⁹

⁶⁹ Urgent question on the Police Funding Formula, [HC Deb 9 November 2015 c26](#)

4. Further reading

Consultation on police funding in England and Wales

- Police Funding Formula (Urgent Question), [HC Deb 9 November 2015 c26](#)
- Written statement, [HC Deb 21 July 2015, c92WS](#)
- Home Office consultation document, *Reforming police funding arrangements in England and Wales*, July 2015
- Police Foundation, *Home Office police funding consultation: An opaque sticking plaster?*, 2015
- Home Affairs Select Committee, *Reform of the Police Funding Formula*, 4th report of Session 2015-16
- Home Office Written Evidence to the Home Affairs Select Committee, [POF0006](#)

Police funding

England and Wales

- [Police grant report \(England and Wales\) 2016 to 2017](#)
- [Police Grant Report England & Wales 2016/17 \(HCWS510\)](#)
- Written statement on provisional allocations, [HC Deb 17 December 2014, c99-106WS](#)
- *The police grant report (England and Wales) 2015 to 2016*, 4 February 2015
- Welsh Government, [Police Settlement 2015-16](#), 4 February 2015
- House of Commons debate to approve motion on the Police Grant Report 2015-16 (HC 930), [HC Deb 10 February 2015, c636-65](#)
- National Assembly for Wales debate on Police Settlement 2015-16, [RoP 24 February 2015](#)

Scotland & Northern Ireland

- Scottish Government, *Scottish Budget: Draft Budget 2015-16*,
- PSNI, *Medium term resource plan – 2015/16*, February 2015

General

- Home Office, *Guide to the police allocation formula*, March 2013
- SPICe, *Police Funding*, October 2013
- Library briefing SN05682, *Council tax: local referendums* for more details on the principles and conduct of council tax increase referendums
- College of Policing, *College of Policing analysis: Estimating demand on the police service*, January 2015
- National Audit Office, *Financial sustainability of police forces in England and Wales*, June 2015
- Her Majesty's Inspectorate of Constabulary has produced national and individual police force reports on forces' response to reductions in funding:
 - *Adapting to Austerity, A review of police force and authority preparedness for the 2011/12–14/15 CSR period*, July 2011
 - *Policing in austerity: One year on*, July 2012

- *Policing in Austerity: Rising to the Challenge*, July 2013
- *Policing in Austerity: Meeting the Challenge*, July 2014

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