

The Police and Crime Commissioner for Lincolnshire

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The Police and Crime Commissioner for Lincolnshire

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Report and Recommendations from the Lincolnshire Police and Crime Panel on the Annual Report 2014-15

It was a pleasure to present my Annual Report to the Panel and I am grateful for your many complimentary comments about the successes of the last year. You also asked for additional information on a number of issues and made some recommendations, and I am pleased to respond.

National Rural Crime Network Survey

You asked for a copy of the results of the recent National Rural Crime Network survey however I understand that the Network is still compiling those results. I will ensure that you are provided with a copy once they are published.

V1000 Volunteering Project

I am very happy to provide an update on our V1000 volunteer project and this will be prepared for the September Panel meeting.

Crime and Disorder Reduction Grants

You requested more information about the way funds were being allocated in the form of crime and disorder reduction grants. Section 9 of the Police Reform and Social Responsibility Act 2011 provides Police and Crime Commissioners with the powers to

award crime and disorder grants to any organisations and projects which, in the opinion of the Commissioner, will secure, or contribute to securing, crime and disorder reduction in their police area.

In addition, Section 143 of the Anti-social Behaviour, Crime and Policing Act 2014 provides Commissioners with powers to provide or commission services. Within the meaning of this section, a Commissioner may provide or arrange for the provision of:

- (a) services that in the opinion of the Commissioner will secure, or contribute to securing, crime and disorder reduction in his/her area
- (b) services that are intended by the Commissioner to help victims or witnesses of, or other persons affected by, offences and anti-social behaviour
- (c) services of a description specified in an order made by the Secretary of State.

A grant may be subject to any conditions (including conditions as to repayment) that a Commissioner thinks appropriate. For the purposes of the legislative provision "anti-social behaviour" means behaviour by a person that causes or is likely to cause harassment, alarm or distress to one or more other persons not of the same household as that person; "crime and disorder reduction" means reduction in levels of:

- (a) crime and disorder (including anti-social behaviour and other behaviour adversely affecting the local environment),
- (b) the misuse of drugs, alcohol and other substances, and
- (c) re-offending.

Detailed discussions have been held with partners regarding the use of crime and disorder reduction grants to support the delivery of the strategic aims and priorities set out within my Police and Crime Plan. The grants that I have made for 2014/15 will contribute to securing crime and disorder reduction and/or help victims or witnesses of, or other persons affected by, offences and anti-social behaviour.

Charging for Special Policing Services

I have noted your suggestion that the police establish a formula to cost the expense of special policing events such as the Federation of Harley Davison Super Rally held at the Lincolnshire Showground. While most policing is performed as a public service, funded in the main by central and local taxation, there are important ways in which the budget for the provision of resources for policing purposes may be augmented. There are certain services that police forces perform, constituting 'Special Police Services', for which costs can be recovered. There are also occasions where local authorities may make grants to a police force in their area (or partially within their area) which may be unconditional or have certain conditions attached to them.

The relevant law surrounding this is Section 25 of the Police Act 1996 and there are many examples of case law.

- Section 25 states that "the chief officer of police of a police force may provide, at the request of any person, special police services at any premises or in any locality in the police area for which the force is maintained, subject to the payment to [the local policing body] of charges on such scales as may be determined by [that body]."

When charges are made for section 25 arrangements, they are calculated to recover the full costs of the services provided but a charge cannot be made for Special Police Services unless there is agreement between the police and the event organiser around the level of resource to be deployed. If an incorrect assessment of the particular arrangement is made and an agreement is not put in place a police force may not be entitled to the income that it was anticipating.

However the crux of the matter is that where the event is purely commercial as was the case with the Federation of Harley Davison Super Rally, in theory I should be recovering 100% of the special policing services costs but there has to be a "request" for police services made by the organisers. In this case the organisers did not request police involvement nor see the need for it despite the intelligence picture and historic information from Europe.

- Section 92 states that a local authority "may make grants to any police authority established under section 3 whose police area falls wholly or partly within the [authority's] area"..... "Grants under this section may be made unconditionally or, with the agreement of the chief officer of police for the area concerned, subject to conditions."

At the time of planning for the Super Rally both the organisers and the Lincolnshire Showground Chief Executive were involved in discussions relating to the funding of policing for this event, however because an agreement had not been made when the event was booked, they were unwilling to contribute. Likewise an approach to the district council was not made as this was effectively a similar position to the police, in that public funds would have to be utilised to provide support for a private commercial event.

In order to avoid this issue moving forward, a clear direction has been provided to the events planning team that where events are notified to the force, an initial assessment is conducted to address funding matters and where appropriate a meeting with a senior officer will occur to discuss "special police services" with the organisers. This is the approach being taken with the Living Islam convention for 2016.

Extremism in Schools

You raised the possibility of seeking government funding for the provision of extremist identification training for school teachers by the police. Lincolnshire and the East Midlands region have an extremely effective PREVENT team, with some of our products being recognised and used nationally. Since the introduction of the new initiative for teachers Lincolnshire Police PREVENT team have in the last few months been inundated with requests from Schools and Academies at both Primary and Secondary level to assist them. In fact many schools initiated contact in the weeks leading up to the launch as it had become clear in early Spring that the PREVENT Duty was soon to become incumbent upon these very institutions. The consideration for approaching government to fund this training is a possibility but in reality the team have already commenced this work and are forging ahead with partners. Whilst the initial wave of training may have to come from policing there are key roles as outlined below where partners can also influence and assist.

Senior Leadership Teams at Schools / Academies in the county have been primarily concerned with the responsibilities outlined in the PREVENT Duty guidance and have sought advice and guidance primarily in respect of the following:

- Staff Training
- Risk Assessments
- PREVENT & existing Safeguarding Policies
- Impact on local IT arrangements

- Identifying school leads
- Referral Processes

The team so far have been able to oblige with the majority of requests to date and have offered guidance and advice to School Heads, Senior Leadership Teams and Governors. This has also been coupled with front facing staff training sessions that have been facilitated at schools around the county or have been arranged for the start of the new academic year. To date there have been approximately 30 meetings / training sessions with schools just within the last 3 months.

The expectation is that this clamour for training and advice will continue once schools resume in September and the PREVENT team are now working closely with the Lincolnshire Safeguarding Children Board and other partners to ensure that we can collectively meet the demands of schools around the county. This is being overseen by the county PREVENT Steering Board and it is hoped that through a combination of front facing training sessions and online learning we will be able to satisfy in the first instance the initial requirement of getting schools 'up to speed' with what will make up a key element of their safeguarding arrangements / policy.

We are aware that OFSTED inspections took place towards the tail end of the last academic year at a number of schools in the county where schools were asked questions specifically around PREVENT and what schools have done to embed the agenda within their schools. In some cases schools were able to evidence some work, and in others none.

There has been some discussions locally within the partnerships about the possibility of widening the pool of trainers able to deliver PREVENT training to schools as there is limited resilience locally (two Special Branch PREVENT Officers who normally deliver) but these discussions are on-going and much is down to partner organisations committing staff to this cause as well as other issues of knowledge, expertise etc.

In conclusion, engaging schools and meeting their needs remains a significant piece of work for both police and partners and establishing a proportionate and sensible response going forward (into the new academic year) remains a challenge that once met, will undoubtedly reap rewards in time to come as schools establish PREVENT as a key part of their safeguarding responsibilities.

Fairer Funding

I am very happy to share a copy of the latest correspondence between myself and the Minister of State for Policing, Criminal Justice and Victims in relation to our continuing efforts to secure more equitable funding for police forces such as Lincolnshire. A copy of my letter of 29 June 2015 and enclosure is included with this letter for circulation to the Panel.

Victims and Witnesses

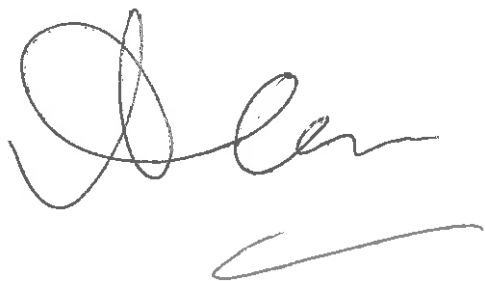
I can confirm that the requested updates on our new Referral, Cope and Recovery Service for victims and witnesses and the arrangements for Restorative Justice Services will be presented at the September Panel meeting.

HMIC/HMCPSI Joint Report 'Joint Inspection of the Provision of Charging Decisions'

You expressed a concern about whether some of the negative findings published in the above-mentioned Joint Report were applicable to Lincolnshire. The East Midlands Criminal Justice Unit is working towards effective performance information across the forces to

identify whether this is an issue for Lincolnshire and others. However there is no ambiguity surrounding the charging responsibility for domestic abuse which is well embedded within Lincolnshire. An update will be provided at a future panel meeting to address your concern.

Thank you again for the diligence with which you have reviewed my Annual Report. I and the Chief Constable remain grateful for your ongoing support.

Kind regards


Alan Hardwick
The Police and Crime Commissioner for Lincolnshire

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Alan Hardwick

The Police and Crime Commissioner for Lincolnshire

Date: 29th June 2015
Our Ref: AH/mb/ch/HO-2015-043

The Rt Hon Mike Penning MP
Minister of State for Policing, Criminal Justice and Victims
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Reshaping Policing – Delivering Savings

Thank you for your letter of 24th June 2015 setting out that you will be leading on engagement with Lincolnshire. I am very grateful for the personal interest you have taken in our situation and I know that you understand that we are working hard with your civil servants to find solutions for the service; not just Lincolnshire.

Your desk doubtless will be groaning under the weight of reports and representations from policing at this time. The task in front of policing is to reduce cost, reduce crime and deliver effective policing. I write to offer a simple perspective on how we might achieve those goals and to share further analysis undertaken here in Lincolnshire. I should stress that, as is our way in Lincolnshire, this is not a parochial local view but a proposal for service wide savings and effective policing.

The attached analysis demonstrates where across Forces in England there are significant anomalies in funding that must be addressed. It proposes a solution based on 'the cost of being in business'. That, combined with the revision of the Home Office formula underway, provides a simple and clear framework for transformation and savings in policing. The analysis is driven by a relentless focus on understanding the cost of policing. This will move us away from a relentless focus in some forces on simply spending what they have. It also proposes a mechanism to equalise local contributions through precept that over time will level the playing field.

I am driven by the imperative of local democratic accountability of policing and other public services. Recent reports like "Reshaping Policing" are largely service and technically led. This 'how to' is important, but I believe that the role of politicians is to create the right formula for delivery and leave the professional and technical leadership to get on with it.

I think the combination of the 'cost of being in business' and the new Home Office funding formula should be used to reset police funding over the course of this Parliament. Each Force should be given their target funding envelope and trajectory and left to deliver the right organisational and operational solutions.

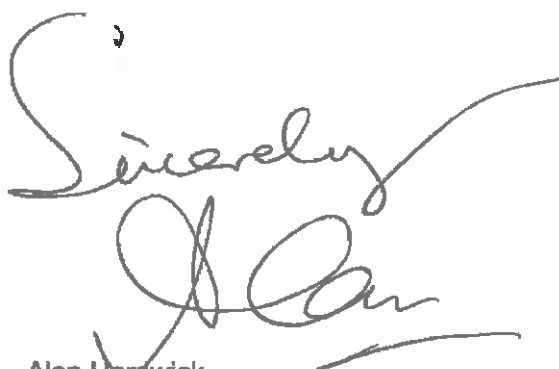
Setting a clear expectation in this way plays to the strength of our police service to get on and deliver. The professional and technical debate begun in "Reshaping Policing" would continue and inform the solutions while not holding up progress.

This approach could be calibrated to deliver the required savings and could be subject to HMIC inspection to gauge progress. Transitional arrangements would be required to lower the risk, as would a funding and inspection regime that rewards those successfully achieving their goals and penalising those who do not.

Austerity is a dead concept, lower funding is here to stay, it is business as usual. All Forces, and indeed all public services, need to accept that and be part of the transformational journey to effective services at lower costs.

This solution delivers savings, manages risk and provides the framework for local leadership of the 'how to' and organisational form. This of course is informed by the national debate but is not 'technician' led. I believe it accords with the spirit of, and objectives for, police and public service reform that you articulate.

I hope you find the analysis helpful. We stand ready to assist in whatever way we can but, make no mistake, we must optimise our resources and deliver the best policing and public services we can from the resources the Country can afford.

A handwritten signature in black ink, appearing to read 'Sincerely Alan', with a large, stylized flourish extending from the end of the signature.

Alan Hardwick
Police and Crime Commissioner for Lincolnshire

Atch/



The Structure of Police Finance

– Informing the Debate

*An analysis of police expenditure across England and Wales,
and the importance of establishing the cost of being in business.*

NEIL RHODES
Chief Constable, Lincolnshire Police

Version 3

A search for efficiency and effectiveness in the underlying distribution of police finance



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SECTION 1

Overview and Summary

An informed discussion leading to a shared consensus around the future structure of police finance has never been more important. As policing tightens its belt and reshapes to manage within reduced budgets it is vital that the money available is shared fairly and wisely across the country to ensure the continued provision of the best service that we can to our communities.

As the new government begins to draw up its long term plans, informed by the work of the Silver and Gold advisory groups and the National Debate Advisory Group report helmed by Her Majesty's Inspectorate of Constabulary (HMIC) feeds into the picture, this piece of work is intended to inform the debate. It looks at the existing distribution and use of police finance from a different perspective that enables inter-force comparisons to be made more readily.

Using CIPFA/HMIC published data the analysis of force spending patterns, separates the 41 forces (excluding the Metropolitan Police) into four groups broadly based upon size, complexity of policing challenges and levels of funding using a longstanding Home Office weighting scale¹.

The picture that emerges prompts many questions about different levels of spend in seemingly comparable forces around overall policing costs and levels of back-office or support costs. This is intended to be a useful, indicative piece of work to enable intelligent questioning, rather than a piece of definitive scientific analysis in itself. However for some, the comparisons might still prove uncomfortable reading.

Recognising the role of the Police and Crime Commissioner in defining, on behalf of the public, the overarching policing style and provision for their area, it seeks to assist by providing evidenced based judgement assertions in relation to the following questions –

- What is the base cost of being in business for a well organised, well governed force?
- What is a reasonable contribution that the local taxpayer might be expected to make to that core cost?
- What proportion of the base cost of being in business should be provided centrally?
- How might a PCC be given the flexibility to vary precept levels to provide an enhanced or different level of service that meets the needs of that particular area?

The assumptions that underpin this work include a recognition that the overall funding available to policing during the course of this parliament will reduce significantly; that existing funding arrangements, formulae and structures are no longer fit for purpose and reform is urgently required.

Any new framework must be based upon an agreed set of principles that provide a fair and proportionate distribution of monies that encourages good performance and a decent quality of service provision to the public across England and Wales.

A relatively short piece of analysis, for the most part with comparative data being presented in terms of cost per person per day, this document is intended to highlight a number of anomalies that need to be explained or addressed and make suggestions as to how the future distribution of police finance could be progressed.

1 Home Office/PNB weighting reflecting eight specific defined measures.



Initial Conclusions

Perhaps the most important conclusion is that if all the forces in each of the four groups were to reduce their costs, in particular their back office and support costs, they would become much closer to the 'better in class'. It would then be possible – with sensible transitional arrangements that promote reform – for policing in England and Wales to be provided within a much reduced financial envelope.

Intelligent reform should also facilitate organisational transformation that would help forces to reshape their policing provision to meet developing challenges around cyber-crime and addressing child sexual exploitation whilst also encouraging, in support functions, cross-force or cross-organisational sharing of back office resources and innovative approaches to ensure IT convergence¹.

A commercial benchmarking approach to the provision of support services, the initial need for which is framed within this work, which is based largely upon HMIC data, could possibly be led by HMIC and assist forces on the reform journey.

The analysis concludes in relation to the initial questions framed that -

- There is strong evidence to suggest that the base cost of being in business lies in the region of 44p per person per day.
- The reasonable contribution that the local taxpayer might be expected to make to that base cost, even factoring in differences in relative economic wealth of areas, probably lies in the region of 13p per person per day.
- Logically that implies the proportion of the base cost of being in business that should be provided centrally is around 31p per person per day. A revised national funding formula (built against agreed principles) overlaid on this base cost would then provide additional monies that would reflect policing complexity and challenges that a particular policing area might face.

- Different Police and Crime Commissioners inherited very different funding blends in terms of precept levels and central provision. If a PCC chooses to set a higher precept level it must give them the ability to exert local flexibility and choice. If a PCC chooses to keep local contribution low they must be allowed to cut their cloth accordingly. To enable this, a PCC who wishes to move a historically low precept closer to the modal 13p per person per day should be allowed to do so without capping.

History rather than logic has defined relative levels of funding enjoyed by forces. To move from the current position to a model where all are required to provide a decent level of service, where support costs are contained within reasonable parameters and all operate close to optimum efficiency levels, will mean a step change for many. To enable and support PCCs and Chief Constables in delivering change there needs to be sensible transitional arrangements that will smooth the glide-path to significantly lower costs, delivered within the lifetime of the current parliament.

The fixing of a 'cost of being in business' foundation layer or safety net should ensure all forces can operate provided that they are reasonably efficient. This is regardless of rurality, sparsity or size.

Considerable thought might need to be given to how forces can be incentivised to embrace the change, rather than "hunker down" and rely upon reserves. Work currently being undertaken to encourage more cross-force working to achieve efficiency will play a part – but probably the most effective way is to clearly define the framework and mechanism for the provision of sustainable funding in future years and for HMIC to inspect against progress made in delivering a force's declared change plans.

Food for thought and discussion?

1. This may include collaboration with private sector or other public sector bodies.

SECTION 2

Understanding the cost of being in business and where savings might lie

Prudent financial management at a time of austerity means it is inevitable that the pot of money for policing will be smaller and, as a service, we will have to become far more efficient to deliver good quality policing within reduced budgets.

We all have to accept that there are questions to be answered when any objective overview highlights a service where, despite delivering the same core products, 42+ organisations use many hundreds of different, often unconnected, computer systems; where operational systems and processes vary enormously and where key and comparable functions such as HR, Finance, Assets and Facilities Management are all delivered at very different unit costs. The questions become tougher to answer when some of the higher unit costs turn out to belong to those larger organisations which should be driving out economies of scale and there is significant variation in the cost of policing across the country, not necessarily correlating to the complexity of policing challenge.

So where do the answers lie? Where are the packets of savings to be had in the service, and how can they be taken without damaging front line policing? How can a diligent Police and Crime Commissioner, keen to protect the public purse, ensure his or her force is providing policing services economically and efficiently?

The Home Office is currently reviewing the police funding formula, and this document is intended to complement and inform that review. A fresh perspective is needed and the HMIC PEEL inspection report presents a fund of reliable, publically available data, a simple analysis of which highlights really interesting anomalies and areas for exploration.

Across the country forces face very different policing challenges. In making comparisons it is absolutely essential to factor in force sizes, populations served and the complexities of policing challenges associated with some parts of the country. The picture we share here raises many questions and might not be popular with all. What it does do, however, is highlight that there are areas of policing

where public money could be saved or redirected in support of the frontline. It also suggests a future focus for HMIC inspection activity. Additionally, to some PCCs, it might also present a comparative perspective, in relation to their force costs, that they have not previously had the information to gauge.

Economies of scale would suggest that larger forces should have lower unit costs. The evidence suggests that they do not, with two notable exceptions. In order to make an intelligent assessment of where efficiency savings remain to be made, exploring some of the apparent anomalies thrown up by even the most light-touch analysis of this data might yield results. Benchmarking across similar groups of forces might signpost the way to make better use of public money.

Figure 1 shows the relative spending position of forces. Figure 2 suggests four bands within which meaningful comparisons can be drawn between groups of forces that are similar in terms of population, policing complexity, force size and budget.

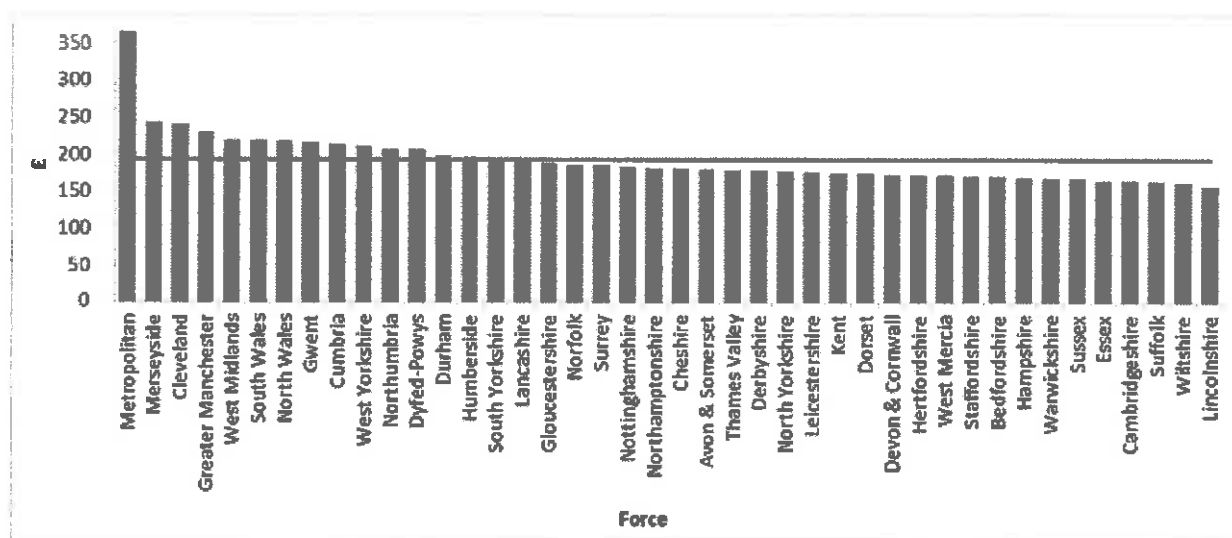
The four bands are based upon force weighting, as used by the Home Office for many years in setting the pay of chief officers.

The long established force weightings have an intuitive cohesion and enable meaningful comparisons to be drawn. Arguably, they are far more suitable than the 'most similar force' (MSF) groupings employed by HMIC which comprise 40+ specific, force centric MSFs, which do not lend themselves readily to service-wide comparisons.

If we then overlay the Home Office bands with the cost of policing per person per day, culled from the PEEL datasheets for each force, and also the HMIC ranking from 1 - 42 in terms of net expenditure per head of population, a very interesting picture emerges.

4 UNDERSTANDING THE COST OF BEING IN BUSINESS

Figure 1 – Net expenditure by force per head of population 2013/14



(Source HMIC/CIPFA data)

Figure 2 – Benchmarking comparative costs across forces

Force Weighting based on size and policing complexity	Banding based on weight	Force	Cost of Policing per person per day (PEEL Data) (Pence)	Ranking of Net Expenditure per head of population (HMIC Data)	Locally funded per person per day	Grant funded per person per day
10	1	Metropolitan Police Service	88	42	19	69
10	1	Greater Manchester	58	39	13	45
10	1	West Midlands	55	38	9	46
6	2	Merseyside	64	41	11	53
6	2	Northumbria	53	32	6	47
6.5	2	Thames Valley	45	19	18	27
8	2	West Yorkshire	52	33	12	40
4.5	3	Avon & Somerset	46	20	17	29
3	3	Cheshire	47	21	17	30
3	3	Derbyshire	45	18	16	29
5	3	Devon & Cornwall	46	13	18	28
4.5	3	Essex	43	5	16	27
5.5	3	Hampshire	44	8	16	28
3	3	Hertfordshire	45	12	17	28
3	3	Humberside	53	29	16	37
5	3	Kent	43	15	15	28

Force Weighting based on size and policing complexity	Banding based on weight	Force	Cost of Policing per person per day (PEEL Data) (Pence)	Ranking of Net Expenditure per head of population (HMIC Data)	Locally funded per person per day	Grant funded per person per day
5	3	Lancashire	49	27	14	35
3	3	Leicestershire	46	16	16	30
3.5	3	Nottinghamshire	49	23	15	34
4.5	3	South Wales	57	37	20	37
4.5	3	South Yorkshire	52	28	12	40
3	3	Staffordshire	45	10	17	28
4.5	3	Sussex	43	6	16	27
3	3	West Mercia	45	11	16	29
2	4	Bedfordshire	44	9	13	31
2	4	Cambridgeshire	44	4	16	28
2	4	Cleveland	63	40	18	45
1.5	4	Cumbria	58	34	22	36
2	4	Dorset	45	14	22	23
2	4	Durham	51	30	11	40
1.5	4	Dyfed-Powys	54	31	25	29
1.5	4	Gloucestershire	49	26	23	26
2	4	Gwent	59	35	21	38
1.5	4	Lincolnshire	42	1	18	24
2.5	4	Norfolk	50	25	19	31
2	4	North Wales	58	36	26	32
2	4	North Yorkshire	48	17	23	25
2	4	Northamptonshire	46	22	17	29
2	4	Suffolk	44	3	18	26
2.5	4	Surrey	49	24	26	23
1.5	4	Warwickshire	46	7	18	28
2	4	Wiltshire	42	2	16	26

KEY Colour Coded national position by quartile

1-10

11-20

21-30

31-41

Figure 1 shows the net expenditure in bar chart form. (The updated 2014/15 data is shown as a scattergram in Section 4, Figure 10.) Viewing this data in different ways can provide a much more informative perspective for those who have responsibility for scrutinising value for money in policing.

Looking carefully at Figure 2, it can be seen that the cost of policing per person per day varies from the

highest at 88p in the Metropolitan Police Service area to the lowest at 42p in Lincolnshire. It could be argued that modally, 44p or 45p per person, per day appears to be a very achievable cost of policing, with forces in the net expenditure per head of population ranking 3 - 9 being occupied by forces at 44p and the positions ranked 10 - 19 being occupied by forces at 45p. The current average is 49p.



6 UNDERSTANDING THE COST OF BEING IN BUSINESS

Within band 4 (forces weighted 1.5 - 2.5) costs vary from 42p per day in the least expensive force in the country to a force providing policing at 63p per day. Why is that?

Within band 3, the force with the highest level of complexity, Hampshire, (at 5.5 weighting) manages a top quartile 8th position at 44p per day policing costs - an efficient and effective performance on the face of it, raising questions to be answered for several other similarly structured forces within the same band.

Within band 2, that is forces weighted 6 - 8, Thames Valley Police (TVP) turns out a lean performance at

45p per day. Only just outside of the top quartile, TVP is a large force with complex policing needs and significant geographic size. Also within that band, another force at position 41 at 64p per day, is at the opposite end of the scale in terms of costs.

To further assist, since developing this table, we have added columns showing the extent to which the daily cost of policing is shared between central funding and local funding. The principal issue that is apparent is that several forces with lower costs still have a disproportionately high part of those costs being borne by the local taxpayer.

Balancing the books

How can we drive out the cost reductions the service needs in the best way? If we step away from the complex formula-based funding calculations which are not well understood and produce some wide ranging results and concentrate on getting the costs of the more expensive forces closer to those of the leaner ones, could that bridge the gap?

Practically, we should probably acknowledge that the Metropolitan Police Service (MPS) has a unique breadth and depth of workload, policing the capital city. Its cost environment is distorted by capital city factors and an individual savings target probably needs to be crafted for it.

Placing the MPS to one side, the government could then task the forces within each band to move towards achieving a demonstrably **reasonable** level of spend per head. For example, band 1, aim to move to 55p (currently being delivered by West Midlands), band 2, aim to move to 49p per head (although Thames Valley within that group is already achieving 45p) band 3, aim to move to 45p per head (already being delivered by a good third of the group)

and band 4, aim to move to 44p per head (again being delivered by a significant number of those forces within the band).

In 2013/14, the last complete year for which data is currently available, the total expenditure on policing was £12.2 billion. The total population served by those 42 forces was 56.4million. At the time of writing government spending plans are not yet fully shared, but HMIC advice to forces suggests it would be prudent to budget for a £0.25 billion cut in resources.

Initial analysis suggests this approach has the potential to more than bridge that gap, even allowing for other cost pressures, slippage and some adjustment to avoid the hardest impacts. Surely it is worth exploring properly? It may well have greater merit than the continued pursuit of an elusive, complex funding formula that will always have winners and losers and the regressive pursuit of straight percentage cuts that penalise the leanest forces.

Food for thought?

Different areas of the country have different cost pressures and different policing needs. Chief Constables will probably have sound explanations for the differences, but hopefully this comparison will provide food for thought, and flag potential new avenues for exploration. An examination of HMIC Value for Money indicators might shed light on this subject, separating out individual forces' spend on back office functions such as HR, Finance and IT, from both direct expenditure in support of the operational face of the force and police salaries. A complex policing environment might justify higher costs, but disproportionate back office costs would be harder to explain.

There would appear to be a limited capacity to yield further significant savings in the budgets of the eight forces already operating at 44p per capita or below.

As we enter the next phase of this work perhaps we should focus on how we can get the costs of the more expensive forces closer to those who share the same complexity of challenge in terms of threat, risk and harm but deliver in a leaner manner.



SECTION 3

Analysis of police spend – further opportunities for savings in the back office

The previous section shared an analysis of comparative force spending per head of population that gave strong indications as to where in policing capacity for savings might lie, and also which forces were already beginning to approach the position where the bulk of efficiencies had been taken. The next layer of analysis might be to separate our policing costs from support services costs, the hypothesis being that although some forces might operate in a more demanding and complex policing environment, back office costs should have greater

consistency and potential for meaningful benchmarking.

The following high level analysis across forces is based on the Police Objective Analysis data supplied by forces to CIPFA and utilised by HMIC in its Value for Money returns. It is recognised that this data is affected by the way forces are organised and how they interpret and complete the data returns. However, a really interesting picture emerges that indicates fertile ground for savings and efficiencies in an area of activity that represents around a quarter of police expenditure.

The picture of support service costs across policing

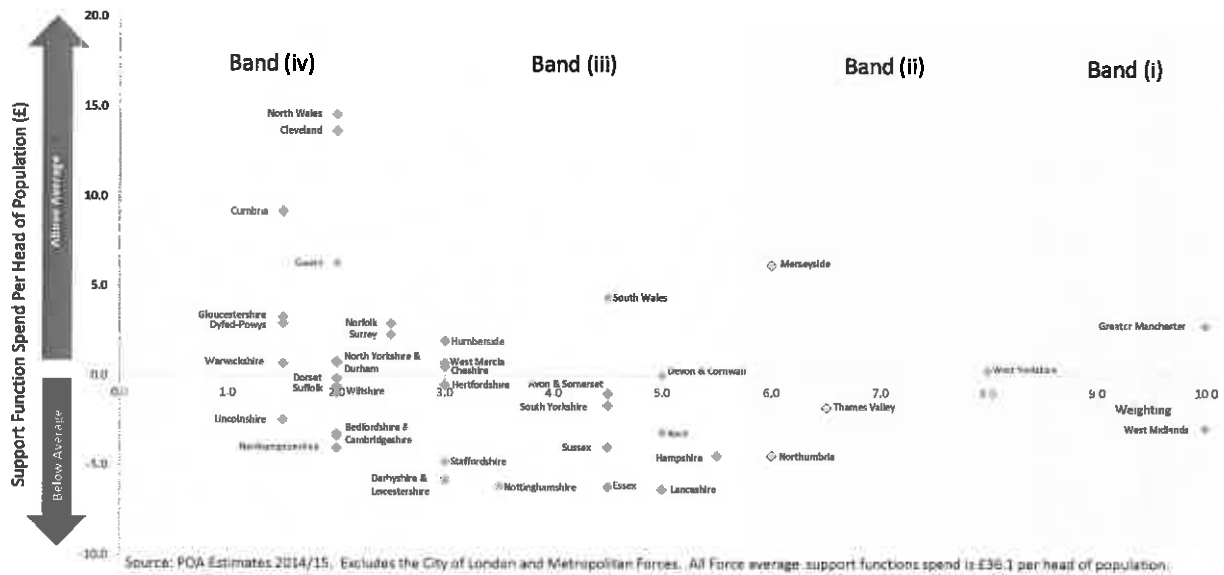
The hypothesis, in essence, is that across the service, support functions are provided at very different costs. Larger forces that should benefit from economies of scale do not because overall high spending levels mask inefficiencies elsewhere. Similarly, some smaller forces persist in replicating large force structure, salaries and levels of senior personnel that their numbers do not justify. A commercial benchmarking approach will highlight these anomalies and shine a very powerful light on

where the service can make efficiencies to protect the operational front line services.

To illustrate the picture we have used a series of scattergrams (figures 3 to 7) banding forces, as before into the four clusters. Using Home Office weightings, a series of support functions are plotted. The graphs show the relative position of each force in terms of how far they diverge from the national average spend per head of population overall and in relation to a number of key functions.



Figure 3 – Overall support function costs by force

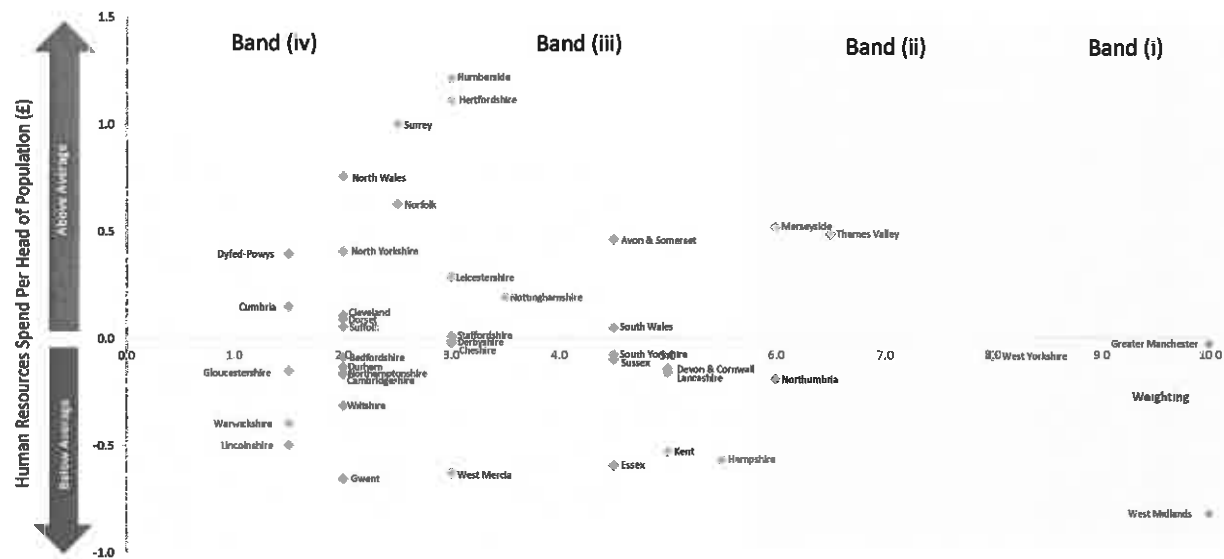


Possible Banding for Specific Grants	Force	Force Weighting	Support Functions Spend Per Head of Pop. (£)	Average Spend on Support Functions (£)	Above or Below Average (£)
(i)	Metropolitan	10.0	83.7	36.1	47.6
(i)	Greater Manchester	10.0	38.9	36.1	2.8
(i)	West Midlands	10.0	33.2	36.1	-2.9
(ii)	West Yorkshire	8.0	36.4	36.1	0.3
(ii)	Thames Valley	6.5	34.3	36.1	-1.8
(ii)	Merseyside	6.0	42.2	36.1	6.1
(ii)	Northumbria	6.0	31.6	36.1	-4.5
(iii)	Hampshire	5.5	31.6	36.1	-4.5
(ii)	Lancashire	5.0	29.8	36.1	-6.3
(iii)	Kent	5.0	32.9	36.1	-3.2
(iii)	Devon & Cornwall	5.0	36.1	36.1	0.0
(iii)	South Wales	4.5	40.5	36.1	4.4
(ii)	South Yorkshire	4.5	34.5	36.1	-1.6
(ii)	Avon & Somerset	4.5	35.1	36.1	-1.0
(iii)	Sussex	4.5	32.2	36.1	-3.9
(iii)	Essex	4.5	29.9	36.1	-6.2
(iii)	Nottinghamshire	3.5	29.9	36.1	-6.2
(iii)	Humberside	3.0	38.0	36.1	1.9
(iii)	Cheshire	3.0	36.6	36.1	0.5
(iii)	Derbyshire	3.0	30.3	36.1	-5.8
(iii)	Leicestershire	3.0	30.2	36.1	-5.9

(iii)	West Mercia	3.0	36.8	36.1	0.7
(iii)	Staffordshire	3.0	31.3	36.1	-4.8
(iii)	Hertfordshire	3.0	35.6	36.1	-0.5
(iv)	Norfolk	2.5	39.0	36.1	2.9
(iv)	Surrey	2.5	38.4	36.1	2.3
(iv)	Cleveland	2.0	49.8	36.1	13.7
(iv)	Durham	2.0	36.8	36.1	0.7
(iv)	Gwent	2.0	42.4	36.1	6.3
(iv)	North Wales	2.0	50.6	36.1	14.5
(iv)	Bedfordshire	2.0	32.9	36.1	-3.2
(iv)	Northamptonshire	2.0	32.1	36.1	-4.0
(iv)	Cambridgeshire	2.0	32.8	36.1	-3.3
(iv)	Wiltshire	2.0	35.2	36.1	-0.9
(iv)	Suffolk	2.0	35.5	36.1	-0.6
(iv)	North Yorkshire	2.0	36.9	36.1	0.8
(iv)	Dorset	2.0	36.0	36.1	-0.1
(iv)	Cumbria	1.5	45.3	36.1	9.2
(iv)	Dyfed-Powys	1.5	39.0	36.1	2.9
(iv)	Warwickshire	1.5	36.8	36.1	0.7
(iv)	Gloucestershire	1.5	39.4	36.1	3.3
(iv)	Lincolnshire	1.5	33.7	36.1	-2.4

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Figure 4 – HR function costs by force

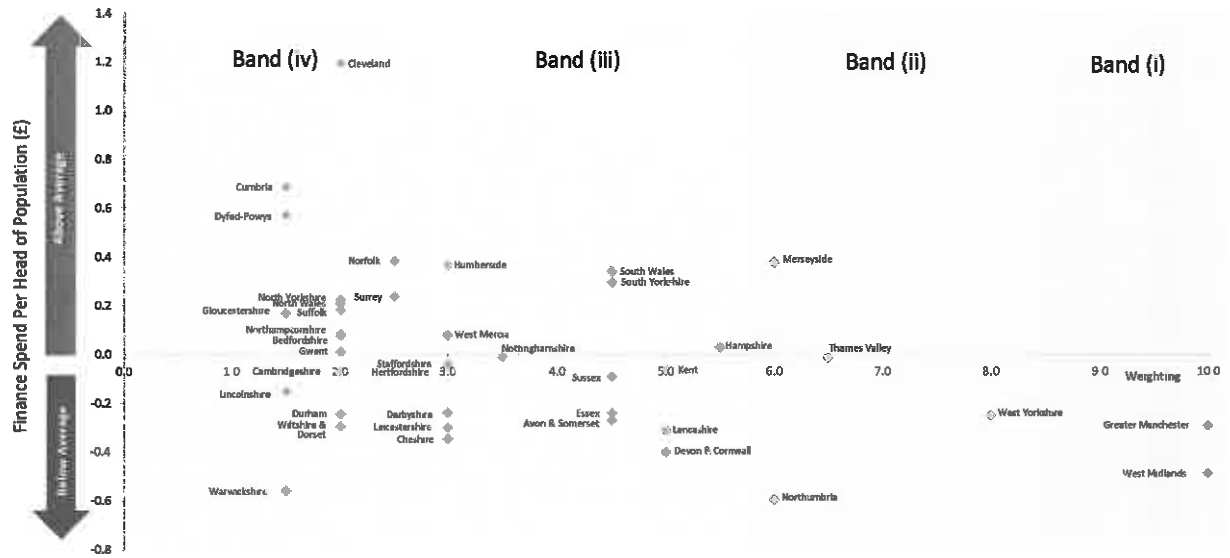


Source: POA Estimates 2014/15. Excludes the City of London and Metropolitan Forces. All Force average HR spend is £2.1 per head of population.

Possible Banding for Specific Grants	Force	Force Weighting	HR Spend Per Head of Pop. (£)	Average Spend on HR (£)	Above or Below Average (£)
(i)	Metropolitan	10.0	4.0	2.1	1.9
(i)	Greater Manchester	10.0	2.1	2.1	0.0
(i)	West Midlands	10.0	1.3	2.1	-0.8
(ii)	West Yorkshire	8.0	2.0	2.1	-0.1
(ii)	Thames Valley	6.5	2.8	2.1	0.5
(ii)	Merseyside	6.0	2.6	2.1	0.5
(ii)	Northumbria	6.0	1.9	2.1	-0.2
(iii)	Hampshire	5.5	1.5	2.1	-0.6
(iii)	Lancashire	5.0	1.9	2.1	-0.2
(iii)	Kent	5.0	1.6	2.1	-0.5
(iii)	Devon & Cornwall	5.0	2.0	2.1	-0.1
(ii)	South Wales	4.5	2.1	2.1	0.0
(ii)	South Yorkshire	4.5	2.0	2.1	-0.1
(iii)	Avon & Somerset	4.5	2.6	2.1	0.5
(iii)	Sussex	4.5	2.0	2.1	-0.1
(iii)	Essex	4.5	1.5	2.1	-0.6
(iii)	Nottinghamshire	3.5	2.3	2.1	0.2
(iii)	Humberside	3.0	3.3	2.1	1.2
(ii)	Cheshire	3.0	2.1	2.1	0.0
(iii)	Derbyshire	3.0	2.1	2.1	0.0
(iii)	Leicestershire	3.0	2.4	2.1	0.3

Possible Banding for Specific Grants	Force	Force Weighting	HR Spend Per Head of Pop. (£)	Average Spend on HR (£)	Above or Below Average (£)
(iii)	West Mercia	3.0	1.5	2.1	-0.6
(iii)	Staffordshire	3.0	2.1	2.1	0.0
(iii)	Hertfordshire	3.0	3.2	2.1	1.1
(iv)	Norfolk	2.5	2.7	2.1	0.6
(iv)	Surrey	2.5	3.1	2.1	1.0
(iv)	Cleveland	2.0	2.2	2.1	0.1
(iv)	Durham	2.0	2.0	2.1	-0.1
(iv)	Gwent	2.0	1.4	2.1	-0.7
(iv)	North Wales	2.0	2.9	2.1	0.8
(iv)	Bedfordshire	2.0	2.0	2.1	-0.1
(iv)	Northamptonshire	2.0	1.9	2.1	-0.2
(iv)	Cambridgeshire	2.0	1.9	2.1	-0.2
(iv)	Wiltshire	2.0	1.8	2.1	-0.3
(iv)	Suffolk	2.0	2.2	2.1	0.1
(iv)	North Yorkshire	2.0	2.5	2.1	0.4
(iv)	Dorset	2.0	2.2	2.1	0.1
(iv)	Cumbria	1.5	2.3	2.1	0.2
(iv)	Dyfed-Powys	1.5	2.5	2.1	0.4
(iv)	Warwickshire	1.5	1.7	2.1	-0.4
(iv)	Gloucestershire	1.5	1.9	2.1	-0.2
(iv)	Lincolnshire	1.5	1.6	2.1	-0.5

Figure 5 – Finance function costs by force



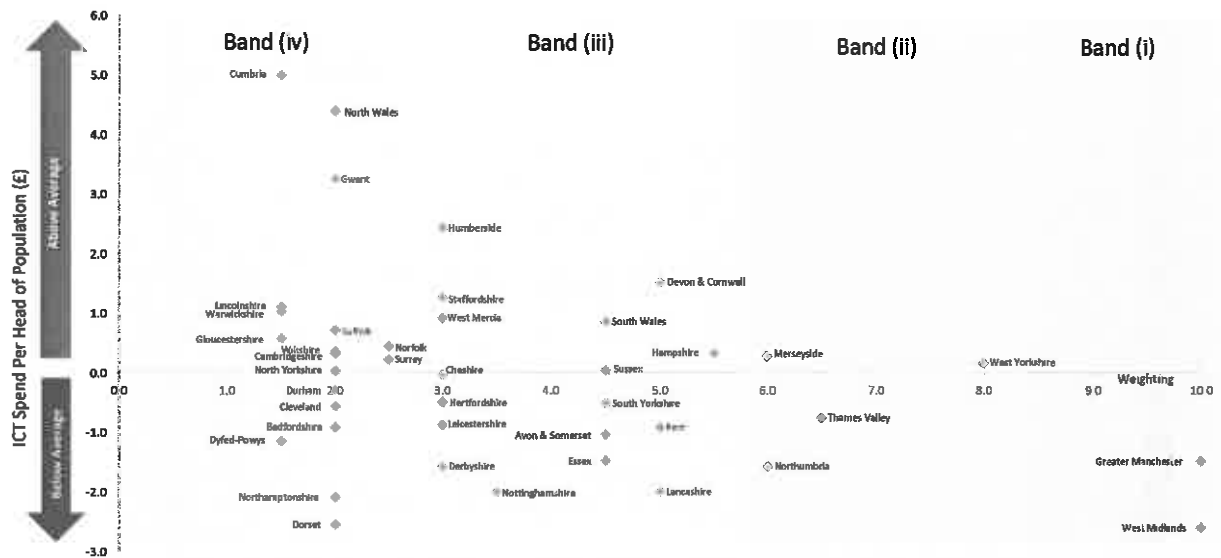
Source: POA Estimates 2014/15. Excludes the City of London and Metropolitan Forces. All Force average finance spend is £1.2 per head of population.

Possible Banding for Specific Grants	Force	Force Weighting	Finance Spend Per Head of Pop. (£)	Average Spend on Finance (£)	Above or Below Average (£)
(i)	Metropolitan	10.0	1.8	1.2	0.6
(i)	Greater Manchester	10.0	0.9	1.2	-0.3
(i)	West Midlands	10.0	0.7	1.2	-0.5
(ii)	West Yorkshire	8.0	0.9	1.2	-0.3
(ii)	Thames Valley	6.5	1.2	1.2	0.0
(ii)	Merseyside	6.0	1.6	1.2	0.4
(iii)	Northumbria	6.0	0.6	1.2	-0.6
(iii)	Hampshire	5.5	1.2	1.2	0.0
(iii)	Lancashire	5.0	0.9	1.2	-0.3
(iii)	Kent	5.0	1.1	1.2	-0.1
(iii)	Devon & Cornwall	5.0	0.8	1.2	-0.4
(iii)	South Wales	4.5	1.5	1.2	0.3
(iii)	South Yorkshire	4.5	1.5	1.2	0.3
(iii)	Avon & Somerset	4.5	0.9	1.2	-0.3
(iii)	Sussex	4.5	1.1	1.2	-0.1
(iii)	Essex	4.5	1.0	1.2	-0.2
(iii)	Nottinghamshire	3.5	1.2	1.2	0.0
(iii)	Humberside	3.0	1.6	1.2	0.4
(iii)	Cheshire	3.0	0.9	1.2	-0.3
(iii)	Derbyshire	3.0	1.0	1.2	-0.2
(iii)	Leicestershire	3.0	0.9	1.2	-0.3

Possible Banding for Specific Grants	Force	Force Weighting	Finance Spend Per Head of Pop. (£)	Average Spend on Finance (£)	Above or Below Average (£)
(iii)	West Mercia	3.0	1.3	1.2	0.1
(iii)	Staffordshire	3.0	1.2	1.2	0.0
(iii)	Hertfordshire	3.0	1.1	1.2	-0.1
(iv)	Norfolk	2.5	1.6	1.2	0.4
(iv)	Surrey	2.5	1.4	1.2	0.2
(iv)	Cleveland	2.0	2.4	1.2	1.2
(iv)	Durham	2.0	1.1	1.2	-0.1
(iv)	Gwent	2.0	1.2	1.2	0.0
(iv)	North Wales	2.0	1.4	1.2	0.2
(iv)	Bedfordshire	2.0	1.3	1.2	0.1
(iv)	Northamptonshire	2.0	1.3	1.2	0.1
(iv)	Cambridgeshire	2.0	1.1	1.2	-0.1
(iv)	Wiltshire	2.0	1.0	1.2	-0.2
(iv)	Suffolk	2.0	1.4	1.2	0.2
(iv)	North Yorkshire	2.0	1.4	1.2	0.2
(iv)	Dorset	2.0	0.9	1.2	-0.3
(iv)	Cumbria	1.5	1.9	1.2	0.7
(iv)	Dyfed-Powys	1.5	1.8	1.2	0.6
(iv)	Warwickshire	1.5	0.6	1.2	-0.6
(iv)	Gloucestershire	1.5	1.4	1.2	0.2
(iv)	Lincolnshire	1.5	1.0	1.2	-0.2

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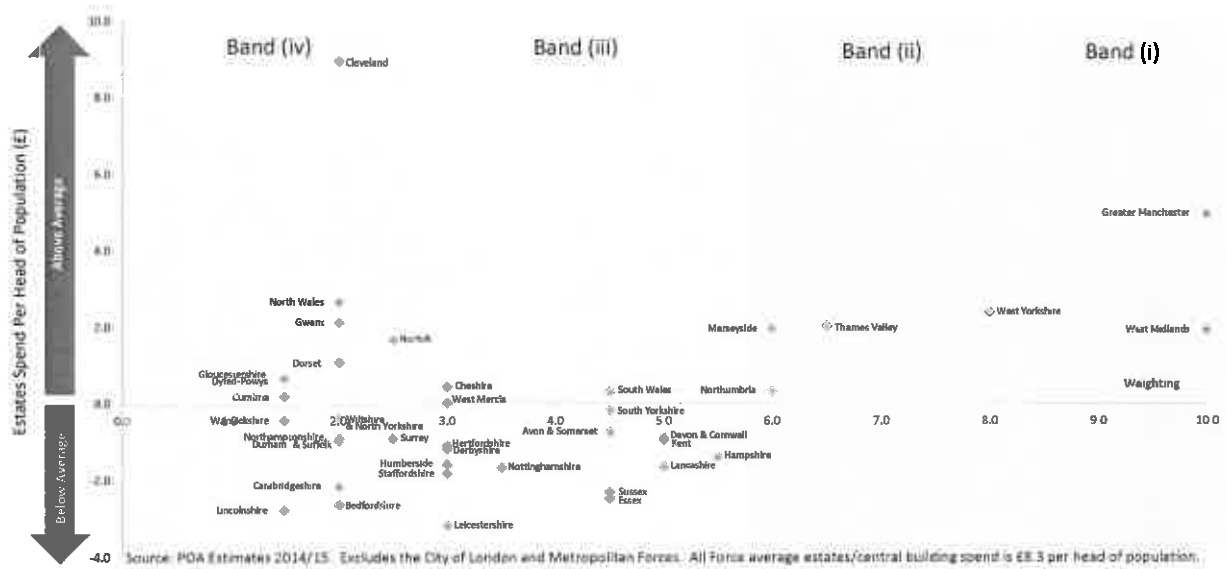
Figure 6 – ICT costs by force



Possible Banding for Specific Grants	Force	Force Weighting	ICT Spend Per Head of Pop. (£)	Average Spend on ICT (£)	Above or Below Average (£)
(i)	Metropolitan	10.0	23.2	8.3	14.9
(i)	Greater Manchester	10.0	6.8	8.3	-1.5
(i)	West Midlands	10.0	5.7	8.3	-2.6
(ii)	West Yorkshire	8.0	8.5	8.3	0.2
(ii)	Thames Valley	6.5	7.6	8.3	-0.7
(ii)	Merseyside	6.0	8.6	8.3	0.3
(ii)	Northumbria	6.0	6.7	8.3	-1.6
(iii)	Hampshire	5.5	8.6	8.3	0.3
(iii)	Lancashire	5.0	6.3	8.3	-2.0
(iii)	Kent	5.0	7.4	8.3	-0.9
(ii)	Devon & Cornwall	5.0	9.8	8.3	1.5
(iii)	South Wales	4.5	9.2	8.3	0.9
(iii)	South Yorkshire	4.5	7.8	8.3	-0.5
(iii)	Avon & Somerset	4.5	7.3	8.3	-1.0
(iii)	Sussex	4.5	8.4	8.3	0.1
(iii)	Essex	4.5	6.8	8.3	-1.5
(iii)	Nottinghamshire	3.5	6.3	8.3	-2.0
(iii)	Humberside	3.0	10.8	8.3	2.5
(iii)	Cheshire	3.0	8.3	8.3	0.0
(ii)	Derbyshire	3.0	6.7	8.3	-1.6
(iii)	Leicestershire	3.0	7.4	8.3	-0.9

Possible Banding for Specific Grants	Force	Force Weighting	ICT Spend Per Head of Pop. (£)	Average Spend on ICT (£)	Above or Below Average (£)
(iii)	West Mercia	3.0	9.2	8.3	0.9
(iii)	Staffordshire	3.0	9.6	8.3	1.3
(iii)	Hertfordshire	3.0	7.8	8.3	-0.5
(iv)	Norfolk	2.5	8.8	8.3	0.5
(iv)	Surrey	2.5	8.5	8.3	0.2
(iv)	Cleveland	2.0	7.7	8.3	-0.6
(iv)	Durham	2.0	8.0	8.3	-0.3
(iv)	Gwent	2.0	11.6	8.3	3.3
(iv)	North Wales	2.0	12.7	8.3	4.4
(iv)	Bedfordshire	2.0	7.4	8.3	-0.9
(iv)	Northamptonshire	2.0	6.2	8.3	-2.1
(iv)	Cambridgeshire	2.0	8.6	8.3	0.3
(iv)	Wiltshire	2.0	8.7	8.3	0.4
(iv)	Suffolk	2.0	9.0	8.3	0.7
(iv)	North Yorkshire	2.0	8.3	8.3	0.0
(iv)	Dorset	2.0	5.8	8.3	-2.5
(iv)	Cumbria	1.5	13.3	8.3	5.0
(iv)	Dyfed-Powys	1.5	7.2	8.3	-1.1
(iv)	Warwickshire	1.5	9.3	8.3	1.0
(iv)	Gloucestershire	1.5	8.9	8.3	0.6
(iv)	Lincolnshire	1.5	9.4	8.3	1.1

Figure 7 – Estates function costs by force

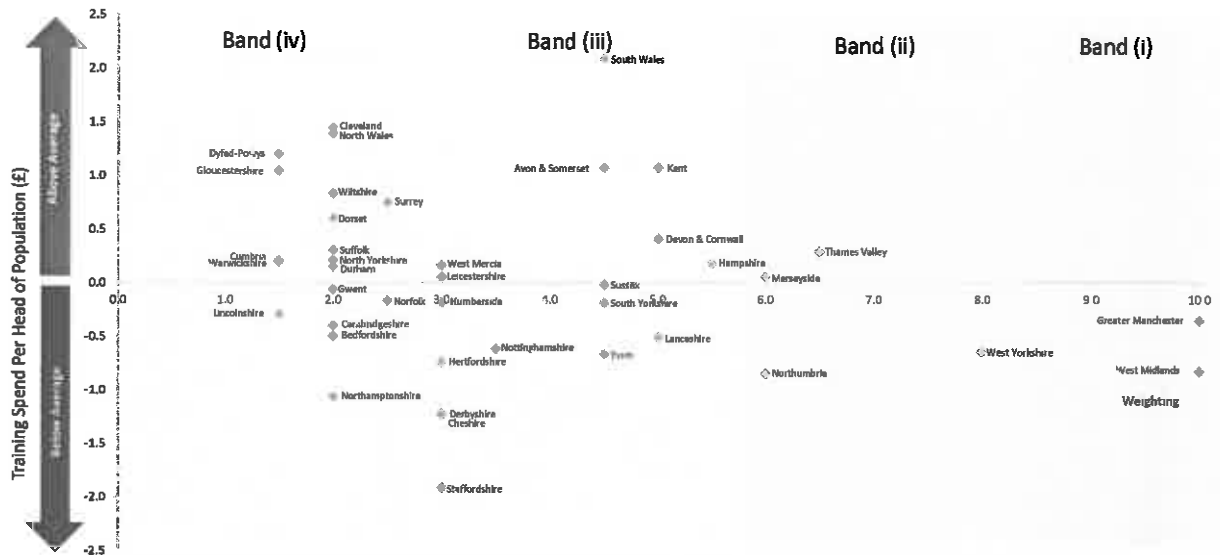


Possible Banding for Specific Grants	Force	Force Weighting	Estates Spend Per Head of Pop. (£)	Average Spend on Estates (£)	Above or Below Average (£)
(i)	Metropolitan	10.0	23.4	8.3	15.1
(i)	Greater Manchester	10.0	13.2	8.3	4.9
(i)	West Midlands	10.0	10.2	8.3	1.9
(ii)	West Yorkshire	8.0	10.7	8.3	2.4
(ii)	Thames Valley	6.5	10.3	8.3	2.0
(ii)	Merseyside	6.0	10.3	8.3	2.0
(ii)	Northumbria	6.0	8.6	8.3	0.3
(iii)	Hampshire	5.5	6.9	8.3	-1.4
(iii)	Lancashire	5.0	6.7	8.3	-1.6
(iii)	Kent	5.0	7.4	8.3	-0.9
(ii)	Devon & Cornwall	5.0	7.4	8.3	-0.9
(ii)	South Wales	4.5	8.6	8.3	0.3
(ii)	South Yorkshire	4.5	8.1	8.3	-0.2
(iii)	Avon & Somerset	4.5	7.6	8.3	-0.7
(iii)	Sussex	4.5	6.0	8.3	-2.3
(ii)	Essex	4.5	5.8	8.3	-2.5
(iii)	Nottinghamshire	3.5	6.7	8.3	-1.6
(iii)	Humberside	3.0	6.7	8.3	-1.6
(iii)	Cheshire	3.0	8.7	8.3	0.4
(iii)	Derbyshire	3.0	7.1	8.3	-1.2
(iii)	Leicestershire	3.0	5.1	8.3	-3.2

Possible Banding for Specific Grants	Force	Force Weighting	Estates Spend Per Head of Pop. (£)	Average Spend on Estates (£)	Above or Below Average (£)
(iii)	West Mercia	3.0	8.3	8.3	0.0
(iii)	Staffordshire	3.0	6.5	8.3	-1.8
(iii)	Hertfordshire	3.0	7.2	8.3	-1.1
(iv)	Norfolk	2.5	10.0	8.3	1.7
(iv)	Surrey	2.5	7.4	8.3	-0.9
(iv)	Cleveland	2.0	17.3	8.3	9.0
(iv)	Durham	2.0	7.4	8.3	-0.9
(iv)	Gwent	2.0	10.4	8.3	2.1
(iv)	North Wales	2.0	11.0	8.3	2.7
(iv)	Bedfordshire	2.0	5.7	8.3	-2.6
(iv)	Northamptonshire	2.0	7.4	8.3	-0.9
(iv)	Cambridgeshire	2.0	6.1	8.3	-2.2
(iv)	Wiltshire	2.0	7.9	8.3	-0.4
(iv)	Suffolk	2.0	7.3	8.3	-1.0
(iv)	North Yorkshire	2.0	7.9	8.3	-0.4
(iv)	Dorset	2.0	9.4	8.3	1.1
(iv)	Cumbria	1.5	8.5	8.3	0.2
(iv)	Dyfed-Powys	1.5	9.0	8.3	0.7
(iv)	Warwickshire	1.5	7.9	8.3	-0.4
(iv)	Gloucestershire	1.5	9.0	8.3	0.7
(iv)	Lincolnshire	1.5	5.5	8.3	-2.8

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Figure 8 – Training costs by force

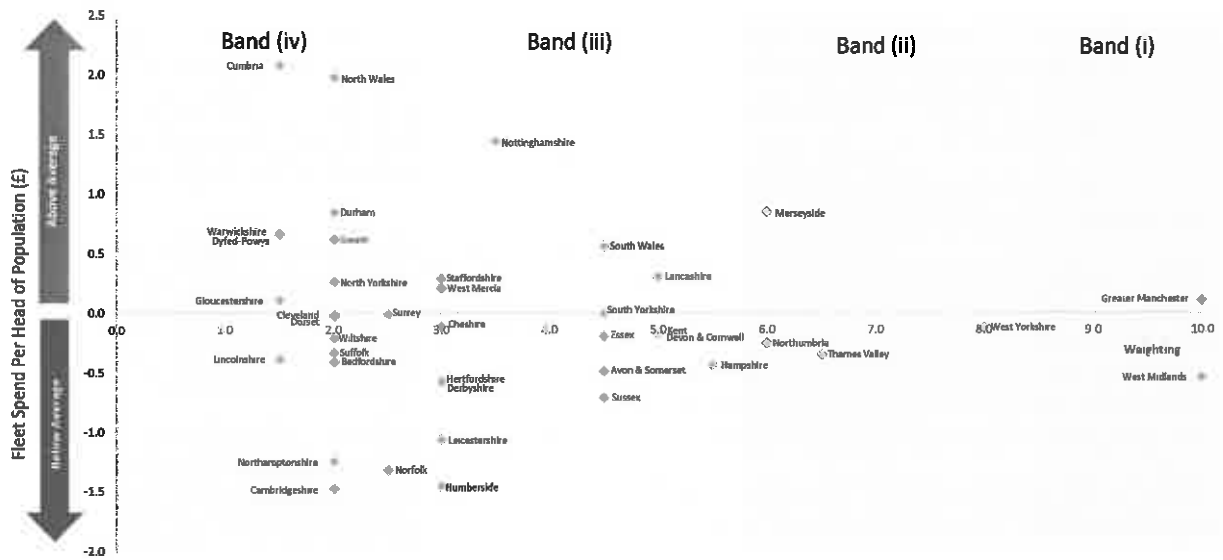


Source: POA Estimates 2014/15. Excludes the City of London and Metropolitan Forces. All Force average training spend is £3.3 per head of population.

Possible Banding for Specific Grants	Force	Force Weighting	Training Spend Per Head of Pop. (£)	Average Spend on Training (£)	Above or Below Average (£)
(i)	Metropolitan	10.0	5.4	3.3	2.1
(i)	Greater Manchester	10.0	3.0	3.3	-0.3
(i)	West Midlands	10.0	2.5	3.3	-0.8
(ii)	West Yorkshire	8.0	2.7	3.3	-0.6
(ii)	Thames Valley	6.5	3.6	3.3	0.3
(ii)	Merseyside	6.0	3.4	3.3	0.1
(ii)	Northumbria	6.0	2.5	3.3	-0.8
(iii)	Hampshire	5.5	3.5	3.3	0.2
(iii)	Lancashire	5.0	2.8	3.3	-0.5
(iii)	Kent	5.0	4.4	3.3	1.1
(iii)	Devon & Cornwall	5.0	3.7	3.3	0.4
(iii)	South Wales	4.5	5.4	3.3	2.1
(iii)	South Yorkshire	4.5	3.1	3.3	-0.2
(iii)	Avon & Somerset	4.5	4.4	3.3	1.1
(ii)	Sussex	4.5	3.3	3.3	0.0
(iii)	Essex	4.5	2.6	3.3	-0.7
(iii)	Nottinghamshire	3.5	2.7	3.3	-0.6
(ii)	Humberside	3.0	3.1	3.3	-0.2
(ii)	Cheshire	3.0	2.1	3.3	-1.2
(ii)	Derbyshire	3.0	2.1	3.3	-1.2
(iii)	Leicestershire	3.0	3.4	3.3	0.1

Possible Banding for Specific Grants	Force	Force Weighting	Training Spend Per Head of Pop. (£)	Average Spend on Training (£)	Above or Below Average (£)
(iii)	West Mercia	3.0	3.5	3.3	0.2
(iii)	Staffordshire	3.0	1.4	3.3	-1.9
(iii)	Hertfordshire	3.0	2.6	3.3	-0.7
(iv)	Norfolk	2.5	3.1	3.3	-0.2
(iv)	Surrey	2.5	4.0	3.3	0.7
(iv)	Cleveland	2.0	4.7	3.3	1.4
(iv)	Durham	2.0	3.5	3.3	0.2
(iv)	Gwent	2.0	3.2	3.3	-0.1
(iv)	North Wales	2.0	4.7	3.3	1.4
(iv)	Bedfordshire	2.0	2.8	3.3	-0.5
(iv)	Northamptonshire	2.0	2.2	3.3	-1.1
(iv)	Cambridgeshire	2.0	2.9	3.3	-0.4
(iv)	Wiltshire	2.0	4.1	3.3	0.8
(iv)	Suffolk	2.0	3.6	3.3	0.3
(iv)	North Yorkshire	2.0	3.5	3.3	0.2
(iv)	Dorset	2.0	3.9	3.3	0.6
(iv)	Cumbria	1.5	3.5	3.3	0.2
(iv)	Dyfed-Powys	1.5	4.5	3.3	1.2
(iv)	Warwickshire	1.5	3.5	3.3	0.2
(iv)	Gloucestershire	1.5	4.3	3.3	1.0
(iv)	Lincolnshire	1.5	3.0	3.3	-0.3

Figure 9 – Fleet services cost by force



Source: POA Estimates 2014/15. Excludes the City of London and Metropolitan Forces. All Force average fleet services spend is £3.6 per head of population.

Possible Banding for Specific Grants	Force	Force Weighting	Fleet Spend Per Head of Pop. (£)	Average Spend on Fleet (£)	Above or Below Average (£)
(i)	Metropolitan	10.0	5.7	3.6	2.1
(i)	Greater Manchester	10.0	3.7	3.6	0.1
(i)	West Midlands	10.0	3.1	3.6	-0.5
(ii)	West Yorkshire	8.0	3.5	3.6	-0.1
(ii)	Thames Valley	6.5	3.2	3.6	-0.4
(ii)	Merseyside	6.0	4.5	3.6	0.9
(ii)	Northumbria	6.0	3.3	3.6	-0.3
(iii)	Hampshire	5.5	3.2	3.6	-0.4
(iii)	Lancashire	5.0	3.9	3.6	0.3
(iii)	Kent	5.0	3.4	3.6	-0.2
(iii)	Devon & Cornwall	5.0	3.4	3.6	-0.2
(iii)	South Wales	4.5	4.2	3.6	0.6
(iii)	South Yorkshire	4.5	3.6	3.6	0.0
(iii)	Avon & Somerset	4.5	3.1	3.6	-0.5
(iii)	Sussex	4.5	2.9	3.6	-0.7
(iii)	Essex	4.5	3.4	3.6	-0.2
(iii)	Nottinghamshire	3.5	5.0	3.6	1.4
(iii)	Humberside	3.0	2.1	3.6	-1.5
(iii)	Cheshire	3.0	3.5	3.6	-0.1
(iii)	Derbyshire	3.0	3.0	3.6	-0.6
(iii)	Leicestershire	3.0	2.5	3.6	-1.1

Possible Banding for Specific Grants	Force	Force Weighting	Fleet Spend Per Head of Pop. (£)	Average Spend on Fleet (£)	Above or Below Average (£)
(ii)	West Mercia	3.0	3.8	3.6	0.2
(iii)	Staffordshire	3.0	3.9	3.6	0.3
(iii)	Hertfordshire	3.0	3.0	3.6	-0.6
(iv)	Norfolk	2.5	2.3	3.6	-1.3
(iv)	Surrey	2.5	3.6	3.6	0.0
(iv)	Cleveland	2.0	3.6	3.6	0.0
(iv)	Durham	2.0	4.4	3.6	0.8
(iv)	Gwent	2.0	4.2	3.6	0.6
(iv)	North Wales	2.0	5.6	3.6	2.0
(iv)	Bedfordshire	2.0	3.2	3.6	-0.4
(iv)	Northamptonshire	2.0	2.4	3.6	-1.2
(iv)	Cambridgeshire	2.0	2.1	3.6	-1.5
(iv)	Wiltshire	2.0	3.4	3.6	-0.2
(iv)	Suffolk	2.0	3.3	3.6	-0.3
(iv)	North Yorkshire	2.0	3.9	3.6	0.3
(iv)	Dorset	2.0	3.6	3.6	0.0
(iv)	Cumbria	1.5	5.7	3.6	2.1
(iv)	Dyfed-Powys	1.5	4.3	3.6	0.7
(iv)	Warwickshire	1.5	4.3	3.6	0.7
(iv)	Gloucestershire	1.5	3.7	3.6	0.1
(iv)	Lincolnshire	1.5	3.2	3.6	-0.4

16 UNDERSTANDING THE COST OF BEING IN BUSINESS

Even allowing for minor issues with the data, the picture that emerges is really interesting and some real outliers appear. For example, some forces, highlighted as being very expensive in terms of overall policing costs fail to access economies of scale and are significantly away from the norm in many support cost areas.

Welsh forces, to varying degrees, are all high spenders in terms of support services.

There is a clear trend that larger forces (Bands I and II) are all spending, to a significant degree, proportionately more on estates. However, encouragingly, these forces do seem to gain from economies of scale for IT spend, ranging from just above average to significantly below average.

Spend on Human Resource management across the service really highlights different practices and merits in-depth exploration on a force by force basis.

Whilst it is recognised that there is a base cost of being in business, Band IV has the widest spread of overall spend. In potentially the most sharply focused banding (with costs more accurately recorded here than in some others) the disparity of costs needs to be explored. Again the value of HMIC in assisting forces to understand and aid forces during any transitional period needs to be considered.

It is important that individual forces and those responsible for their leadership and governance are presented with this data, to ask their own questions, explore the reasons for apparent anomalies and use them to set or refine future direction.

A key point is that any revised funding formula or mechanism must ensure that force size, or the complexity of operational policing challenge faced, does not lead to an over allocation of monies to be spent on business support costs that do not rise in line with these factors.

A note of caution

This approach indicates areas for further exploration and investigation only. More detailed scrutiny and benchmarking, possibly under the leadership of HMIC, could flag some real potential for reform and savings.

In any data collection exercise where organisations can see emerging pictures, there can be a tendency to 'game' the system. Equally, there can simply be different views as to where different components should be assigned or coded. However, the overall picture is very hard to argue with.

Forces in Band IV, the smaller forces, tend to have centralised functions and the picture is more accurate as they have a more centralised approach. Some larger forces, with an unreformed basic command unit (BCU) structure, code certain administrative and HR functions in the operational arena and their costs, as a consequence, appear

marginally lower. These factors would need to be addressed to sharpen the focus.

The anomalies in simple budget data recording, far from showing the local tailoring of services, demonstrate a lack of expertise in understanding the business of policing and act as an obstacle to the proper benchmarking of operations. This underscores the current importance of high level benchmarking at a force level as a signpost to more detailed examination and scrutiny as we search for efficiencies and savings.

As HMIC helps forces to search for where savings might be made, whilst minimising the impact on frontline provision, this comparative analysis provides part of the toolkit. It could also, potentially, help shape high level expenditure goals for forces during any transitional period to a new funding formula being fully deployed.



SECTION 4

How might we link a new formula for the allocation of funding, the need to ensure that forces are able to sustain the base cost of being in business and ensure PCCs have real flexibility and choice in terms of precept levels?

The Progressive Reform Question

It is a real challenge when further savings are needed from an area of the public sector such as policing, where it is clear –

- Certain organisations have embraced reform and stripped out costs, and achieved close to optimum efficiency
- A large proportion of organisations are in the middle of change programmes with the final yield some distance away
- A small number of organisations appear not to appreciate the need for reform and the adoption of modern structures and practices.

The traditional approach of straight percentage cuts across the board is a blunt instrument in such circumstances. There clearly needs to be a sharper focus on those yet to commence the reform journey and a recognition that there is little to be gained from further pressure on the most efficient.

The current funding formula tends to skew resources towards high crime level areas. Its shortcomings have been recognised for some time and an artificial compromise of floors and ceilings has operated for several years, sustaining income for some by capping formula allocation for others.

The divisiveness of floors and ceilings, coupled with the dated and inflexible nature of the old formula means it clearly needs to be replaced. There will need to be a consequent rebalancing of finance in a fair and proportionate way. For some forces this might mean quite a significant change in allocation, which is fair but will be tough to adjust to.

Appropriate transitional arrangements that both smooth and encourage the journey will be important. This study has also underlined the need to recognise the base cost of being in business for forces.



Proposition 1

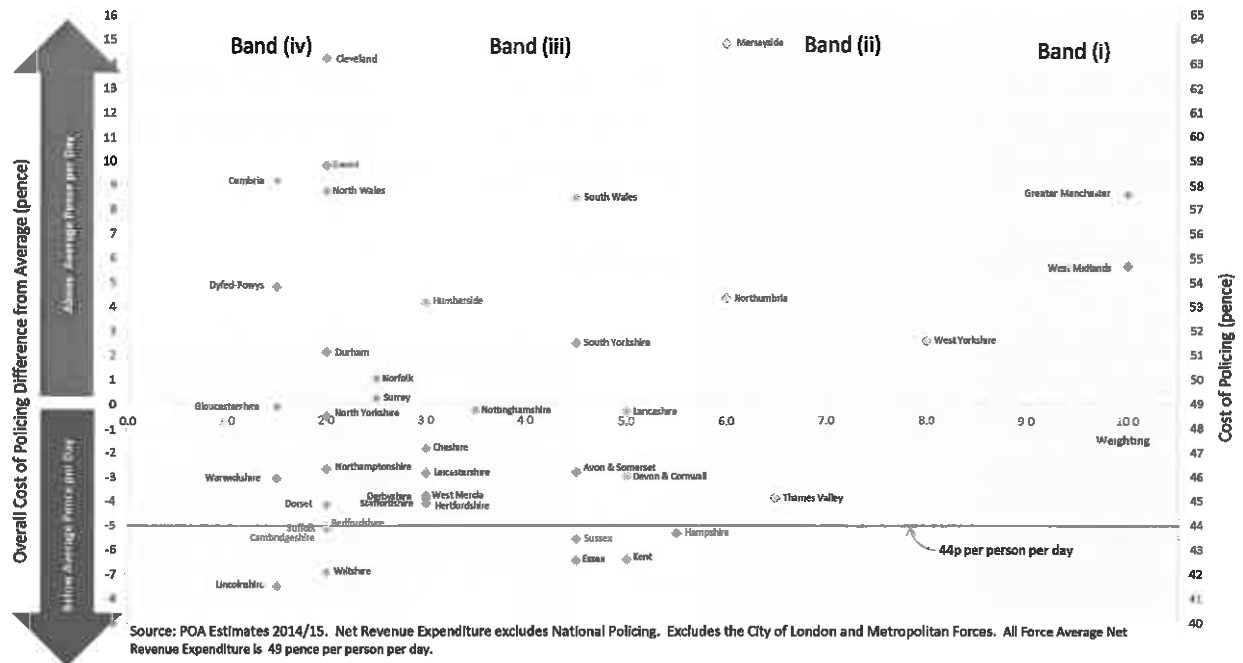
Some forces, irrespective of size, are able to deliver good policing at a relatively low cost, with back office or support costs representing a sensible and proportionate element of that expenditure. All forces should receive that base 'cost of being in business' level of support, and that level should be provided as part of the new funding formula/arrangement.

If we examine the scattergram for the overall cost of policing (Figure 10, page 18), per person per day, drawn from the earlier table we can plot the 44p per person per day line discussed earlier and triangulate visually the assertion that this is where the real cost of being in business lies.



18 UNDERSTANDING THE COST OF BEING IN BUSINESS

Figure 10 – Overall costs of policing by force



Possible Banding for Specific Grants	Force	Force Weighting	Cost of Policing per person per day (Pence) 2014/15 Estimates	Average Cost of Policing per person per day (Pence) 2014/15 Estimates	Above or Below Average (Pence)
(i)	Metropolitan	10.0	88	49	39
(i)	Greater Manchester	10.0	58	49	9
(i)	West Midlands	10.0	55	49	6
(ii)	West Yorkshire	8.0	52	49	3
(ii)	Thames Valley	6.5	45	49	-4
(ii)	Merseyside	6.0	64	49	15
(ii)	Northumbria	6.0	53	49	4
(iii)	Hampshire	5.5	44	49	-5
(iii)	Lancashire	5.0	49	49	0
(iii)	Kent	5.0	43	49	-6
(iii)	Devon & Cornwall	5.0	46	49	-3
(iii)	South Wales	4.5	58	49	9
(iii)	South Yorkshire	4.5	52	49	3
(iii)	Avon & Somerset	4.5	46	49	-3
(iii)	Sussex	4.5	43	49	-6
(iii)	Essex	4.5	43	49	-6
(iii)	Nottinghamshire	3.5	49	49	0
(iii)	Humberside	3.0	53	49	4
(iii)	Cheshire	3.0	47	49	-2
(iii)	Derbyshire	3.0	45	49	-4
(iii)	Leicestershire	3.0	46	49	-3

Possible Banding for Specific Grants	Force	Force Weighting	Cost of Policing per person per day (Pence) 2014/15 Estimates	Average Cost of Policing per person per day (Pence) 2014/15 Estimates	Above or Below Average (Pence)
(iii)	West Mercia	3.0	45	49	-4
(iii)	Staffordshire	3.0	45	49	-4
(iii)	Hertfordshire	3.0	45	49	-4
(iv)	Norfolk	2.5	50	49	1
(iv)	Surrey	2.5	49	49	0
(iv)	Cleveland	2.0	63	49	14
(iv)	Durham	2.0	51	49	2
(iv)	Gwent	2.0	59	49	10
(iv)	North Wales	2.0	58	49	9
(iv)	Bedfordshire	2.0	44	49	-5
(iv)	Northamptonshire	2.0	46	49	-3
(iv)	Cambridgeshire	2.0	44	49	-5
(iv)	Wiltshire	2.0	42	49	-7
(iv)	Suffolk	2.0	44	49	-5
(iv)	North Yorkshire	2.0	49	49	0
(iv)	Dorset	2.0	45	49	-4
(iv)	Cumbria	1.5	58	49	9
(iv)	Dyfed-Powys	1.5	54	49	5
(iv)	Warwickshire	1.5	46	49	-3
(iv)	Gloucestershire	1.5	49	49	0
(iv)	Lincolnshire	1.5	42	49	-7

Proposition 2

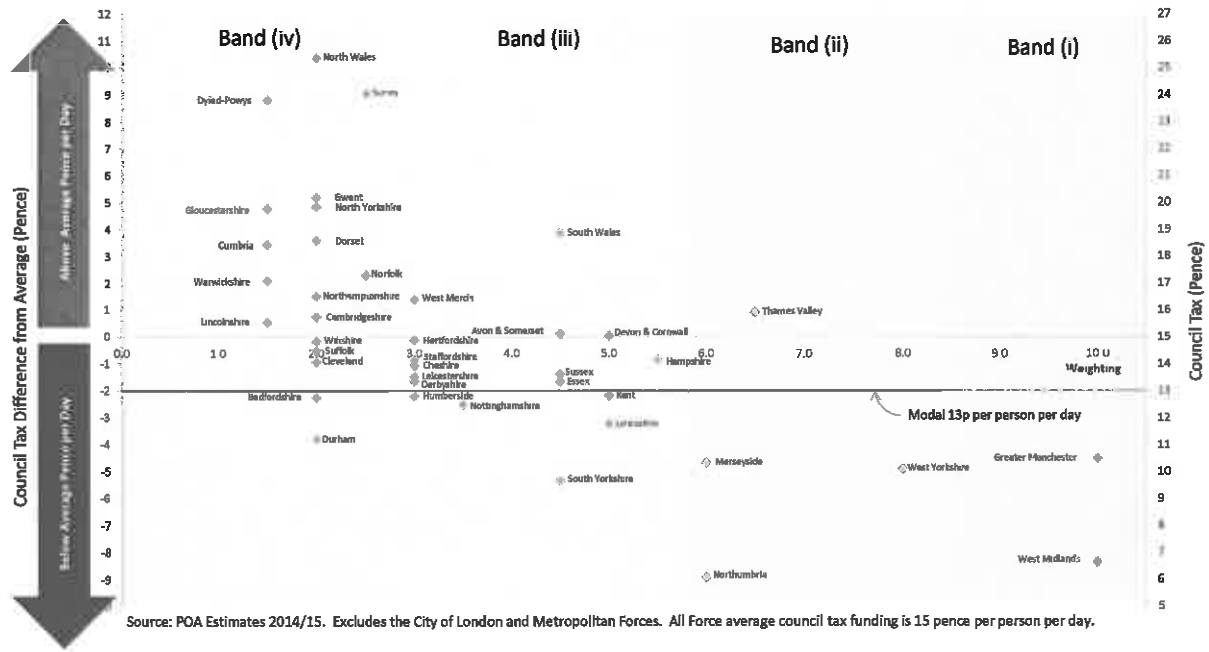
There is strong evidence to suggest that the base cost of being in business for an efficient, well organised, well governed force, lies in the region of 44p per person per day.

Within the tri-partite relationship, the role of the PCC includes not only the provision of an efficient and effective force, with strong governance, but also that an appropriate part of that force's funding is raised through local taxation. We need to take a view as to

what constitutes a reasonable level of local taxpayer contribution.

To inform that, it is helpful to understand how much forces currently raise locally, again, per person, per day.

Figure 11 – Local taxpayer contribution to funding by force



Possible Banding for Specific Grants	Force	Force Weighting	Council Tax Funding per person per day (Pence) 2014/15 Estimates	Average Council Tax Funding per person per day (Pence)	Above or Below Average (Pence)
(i)	Metropolitan	10.0	18	15	3
(i)	Greater Manchester	10.0	11	15	-4
(i)	West Midlands	10.0	7	15	-8
(ii)	West Yorkshire	8.0	10	15	-5
(ii)	Thames Valley	6.5	16	15	1
(ii)	Merseyside	6.0	10	15	-5
(ii)	Northumbria	6.0	6	15	-9
(iii)	Hampshire	5.5	14	15	-1
(iii)	Lancashire	5.0	12	15	-3
(iii)	Kent	5.0	13	15	-2
(iii)	Devon & Cornwall	5.0	15	15	0
(iii)	South Wales	4.5	19	15	4
(iii)	South Yorkshire	4.5	10	15	-5
(iii)	Avon & Somerset	4.5	15	15	0
(iii)	Sussex	4.5	14	15	-1
(iii)	Essex	4.5	13	15	-2
(iii)	Nottinghamshire	3.5	12	15	-3
(iii)	Humberside	3.0	13	15	-2
(ii)	Cheshire	3.0	14	15	-1
(ii)	Derbyshire	3.0	13	15	-2
(ii)	Leicestershire	3.0	14	15	-1

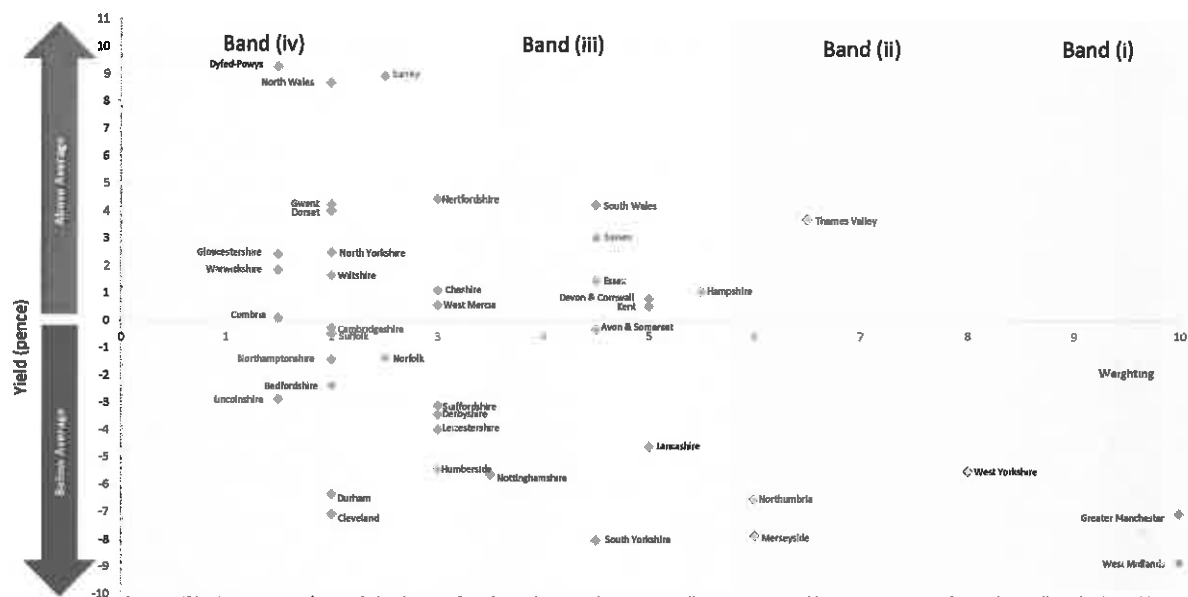
(iii)	West Mercia	3.0	16	15	1
(iii)	Staffordshire	3.0	14	15	-1
(iii)	Hertfordshire	3.0	15	15	0
(iv)	Norfolk	2.5	17	15	2
(iv)	Surrey	2.5	24	15	9
(iv)	Cleveland	2.0	14	15	-1
(iv)	Durham	2.0	11	15	-4
(iv)	Gwent	2.0	20	15	5
(iv)	North Wales	2.0	25	15	10
(iv)	Bedfordshire	2.0	13	15	-2
(iv)	Northamptonshire	2.0	17	15	1
(iv)	Cambridgeshire	2.0	16	15	1
(iv)	Wiltshire	2.0	15	15	0
(iv)	Suffolk	2.0	15	15	-1
(iv)	North Yorkshire	2.0	20	15	5
(iv)	Dorset	2.0	19	15	4
(iv)	Cumbria	1.5	18	15	3
(iv)	Dyfed-Powys	1.5	24	15	9
(iv)	Warwickshire	1.5	17	15	2
(iv)	Gloucestershire	1.5	20	15	5
(iv)	Lincolnshire	1.5	16	15	1

20 UNDERSTANDING THE COST OF BEING IN BUSINESS

Certain areas of the country undoubtedly enjoy greater economic wealth. House valuations tend to be higher and council tax yield greater. In effect, the council tax base of an area can act as a proxy indicator for its economic wealth. To help

understand the impact of that on a force's ability to generate income through council tax precept increase the following scattergram maps the yield of a £1 increase in council tax on a Band D property.

Figure 12 – Yield of a £1 increase in council tax by force



Source: CIPFA Estimates 2014/15. Excludes the City of London and Metropolitan Forces. All Force average yield is 32 pence per £1 of council tax collected. The yield shows the amount, from every £1 of council tax collected, that goes to the local policing body.

Possible Banding for Specific Grants	Force	Force Weighting	Yield per head of £1 council tax (Pence) 2014/15 Estimates	Average Yield per head of £1 council tax (Pence)	Above or Below Average (Pence)
(i)	Metropolitan	10.0	34.98	32.00	2.98
(i)	Greater Manchester	10.0	24.95	32.00	-7.05
(i)	West Midlands	10.0	23.15	32.00	-8.85
(ii)	West Yorkshire	8.0	26.47	32.00	-5.53
(ii)	Thames Valley	6.5	35.69	32.00	3.69
(ii)	Merseyside	6.0	24.12	32.00	-7.88
(ii)	Northumbria	6.0	25.46	32.00	-6.54
(ii)	Hampshire	5.5	33.04	32.00	1.04
(ii)	Lancashire	5.0	27.38	32.00	-4.62
(ii)	Kent	5.0	32.50	32.00	0.50
(ii)	Devon & Cornwall	5.0	32.77	32.00	0.77
(ii)	South Wales	4.5	36.21	32.00	4.21
(ii)	South Yorkshire	4.5	23.95	32.00	-8.05
(iii)	Avon & Somerset	4.5	31.65	32.00	-0.35
(iii)	Sussex	4.5	34.99	32.00	2.99
(iii)	Essex	4.5	33.43	32.00	1.43
(iii)	Nottinghamshire	3.5	26.35	32.00	-5.65
(iii)	Humberside	3.0	26.54	32.00	-5.46
(iii)	Cheshire	3.0	33.09	32.00	1.09
(iii)	Derbyshire	3.0	28.55	32.00	-3.45
(iii)	Leicestershire	3.0	28.02	32.00	-3.98

Possible Banding for Specific Grants	Force	Force Weighting	Yield per head of £1 council tax (Pence) 2014/15 Estimates	Average Yield per head of £1 council tax (Pence)	Above or Below Average (Pence)
(iii)	West Mercia	3.0	32.56	32.00	0.56
(iii)	Staffordshire	3.0	28.88	32.00	-3.12
(iii)	Hertfordshire	3.0	36.44	32.00	4.44
(iv)	Norfolk	2.5	30.62	32.00	-1.38
(iv)	Surrey	2.5	40.94	32.00	8.94
(iv)	Cleveland	2.0	24.94	32.00	-7.06
(iv)	Durham	2.0	25.65	32.00	-6.35
(iv)	Gwent	2.0	36.21	32.00	4.21
(iv)	North Wales	2.0	40.70	32.00	8.70
(iv)	Bedfordshire	2.0	29.61	32.00	-2.39
(iv)	Northamptonshire	2.0	30.59	32.00	-1.41
(iv)	Cambridgeshire	2.0	31.72	32.00	-0.28
(iv)	Wiltshire	2.0	33.67	32.00	1.67
(iv)	Suffolk	2.0	31.50	32.00	-0.50
(iv)	North Yorkshire	2.0	34.50	32.00	2.50
(iv)	Dorset	2.0	35.99	32.00	3.99
(iv)	Cumbria	1.5	32.11	32.00	0.11
(iv)	Dyfed-Powys	1.5	41.26	32.00	9.26
(iv)	Warwickshire	1.5	33.83	32.00	1.83
(iv)	Gloucestershire	1.5	34.39	32.00	2.39
(iv)	Lincolnshire	1.5	29.12	32.00	-2.88

If we review both charts, consider the spread and variance of monies raised by council tax and the modal rates, and then we consider this alongside the £1 yield we can begin to form a judgement as to what it is reasonable, as a base contribution, to expect to be raised locally.

Proposition 3

The reasonable contribution that the local taxpayer might be expected to make to that base cost, even factoring in differences in relative economic wealth of areas, probably lies in the region of 13p per person per day.

Logically that implies the proportion of the base cost of being in business that should be provided centrally is around 31p per person per day. A revised national funding formula (built against agreed principles) overlaid on this base cost would then provide additional monies that would reflect policing complexity and challenges that a particular policing area might face.

Proposition 4

The proportion of the base cost of being in business that should be provided centrally is in the region of 31p per person per day.

Police and Crime Commissioners across the country inherited very different funding blends in terms of precept levels and central provision. If a PCC chooses to set a higher precept level it must give them the ability to exert local flexibility and choice. If a PCC chooses to keep local contribution low they must be allowed to cut their cloth accordingly. To enable this, a PCC who wishes to move a historically low precept closer to the modal 13p per person per day should be allowed to do so without capping.

Proposition 5

A Police and Crime Commissioner who wishes to move a historically low precept closer to the modal 13p per person per day should be allowed to do so without capping.

To move from the current position, where history rather than logic has defined relative levels of funding enjoyed by forces, to a model where all are required to provide a decent level of service, where support costs are contained within reasonable parameters and all operate close to optimum efficiency levels, will mean a step change for many. To enable and support PCCs and Chief Constables in delivering change there needs to be sensible transitional arrangements that will smooth the glide-path to significantly lower costs, delivered within the lifetime of this parliament.

The fixing of a 'cost of being in business' foundation layer or safety net should ensure all forces can operate provided that they are reasonably efficient. This is regardless of rurality, sparsity or size.

A key point is that any revised funding formula or mechanism must ensure that force size, or the complexity of operational policing challenge faced, does not lead to an over allocation of monies to be spent on business support costs that do not rise in line with these factors. In broad terms the application of the base layer cost of being in business tends to deal with this aspect, especially since the additional formula based funding received will primarily reflect policing challenges.

Considerable thought might need to be given to how forces can be incentivised to embrace the change, rather than "hunker down" and rely upon reserves. Work currently being undertaken to encourage more cross-force working to achieve efficiency will play a part – but probably the most effective way is to clearly define the framework and mechanism for the provision of sustainable funding in future years and for HMIC to inspect against progress made in delivering a force's declared change plans.

A commercial benchmarking approach to the provision of support services, the initial need for which is framed within this work, based upon HMIC data, could possibly be led by HMIC and assist forces on the reform journey.

Proposition 6

HMIC has a key role to play in helping forces to manage change during transition, in particular in developing a commercial approach to the benchmarking of back office and support functions.

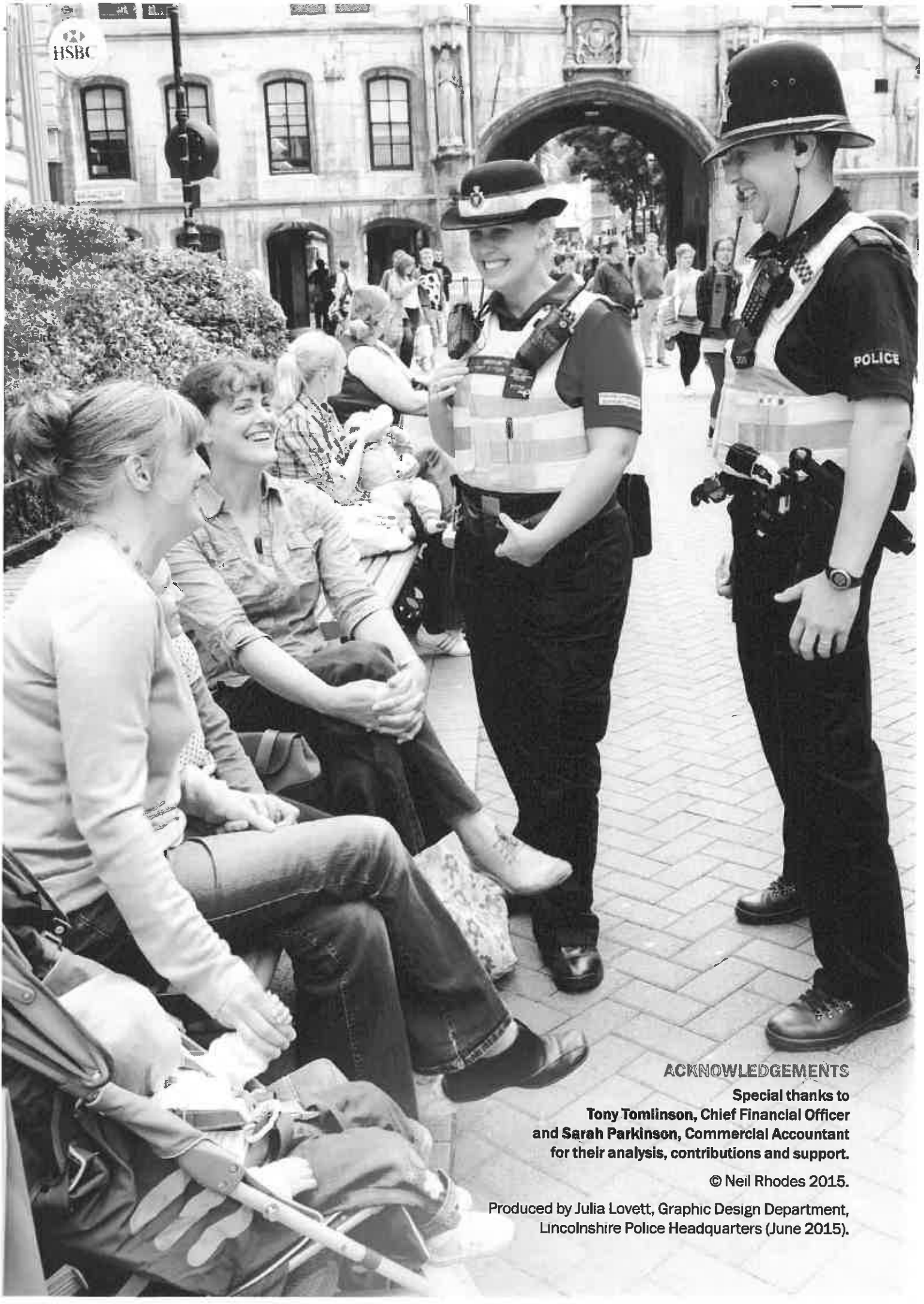


Perhaps the most important conclusion is that if all the forces in each of the four groups were to reduce their costs, in particular their back office and support costs, becoming much closer to the better in class, then it is possible – with sensible transitional arrangements that promote reform – for policing in England and Wales to be provided within a much reduced financial envelope.

Intelligent reform should also facilitate organisational transformation that would help forces to reshape their policing provision to meet developing challenges around cyber-crime and addressing child sexual exploitation whilst also encouraging, in support functions, cross-force or cross-organisational sharing of back office resources and innovative approaches to ensure IT convergence.

Table of Propositions

1	<i>Some forces, irrespective of size, are able to deliver good policing at a relatively low cost, with back office or support costs representing a sensible and proportionate element of that expenditure. All forces should receive that base 'cost of being in business' level of support, and that level should be provided as part of the new funding formula/ arrangement.</i>
2	<i>The base cost of being in business for an efficient, well organised, well governed force, there is strong evidence to suggest, lies in the region of 44p per person per day.</i>
3	<i>The reasonable contribution that the local taxpayer might be expected to make to that base cost, even factoring in differences in relative economic wealth of areas, probably lies in the region of 13p per person per day.</i>
4	<i>The proportion of the base cost of being in business that should be provided centrally is in the region of 31p per person per day.</i>
5	<i>A Police and Crime Commissioner who wishes to move a historically low precept closer to the modal 13p per person per day should be allowed to do so without capping.</i>
6	<i>HMIC has a key role to play in helping forces to manage change during transition, in particular in developing a commercial approach to the benchmarking of back office and support functions.</i>



HSBC

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