

GROWING THE LOCAL

Creating local freedom to fund
the fight against crime

December 2017

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Introduction to Police Funding and Demand Today

Police and Crime Commissioners, in consultation with their Chief Constables, are responsible for how funding is allocated to policing and to cutting crime. They also have a responsibility to hold the police to account on behalf of the public. As the Government's flagship policing reform, the crucial next step is giving PCCs greater control over the level of funding raised locally, through the police precept.

Ensuring local areas have the freedom to set and adjust taxation form part of the recommendations set out by the CSJ in our recent *The Great British Breakthrough* report.¹ While capping local taxation has been shown to be necessary in the past, the current level of cap is holding back the potential for PCCs to make investments in evidence-based early interventions that can improve community safety and cut crime. For many, this lack of flexibility is also impacting on the delivery of proactive policing.

Now is an opportune time for Government to move towards enabling PCCs to invest in programmes and resources that go beyond simply reacting to crime and growing demands, and move into more preventative and proactive efforts to improve community safety.

Proactive and preventative investment is vital to public safety, whether by changing lives and reducing unnecessary pressure on the criminal justice system, or by helping protect the most vulnerable and disadvantaged by preventing crime or pursuing offenders. Enabling PCCs to raise funds locally to make these investments should be the next step for Government and one that will help ensure PCCs and their Chiefs have more freedom to act on local priorities and to fight crime.

Reforming the Cap on the Police Precept

We propose translating the current percentage cap (2%) into a cash sum of twelve pence per week, equivalent to a 2.2%-6.3% cap for forces. PCCs could add up to a further 8 pence per week, contingent on a matched one-off surrender of reserves to the value of funds raised in excess of the 12 pence cap.

Illustrative Comparison of Revised Cap for England vs Current 2%/£5 Cap

	Total Extra Funds Raised	Variance from Current Plan	Equivalent % Change	Equivalent Uplift in Police Officers ²
12p rise	£108.4m	+£30.9m	2.2%-6.3%	2,551
20p rise	£180.7m	+£103.2m	3.7%-10.6%	4,251

¹ *The Great British Breakthrough*, Centre for Social Justice, September 2017 [Accessed on 1 December 2017 via https://www.centreforsocialjustice.org.uk/core/wp-content/uploads/2017/09/CSJJ5710_Productivity_report_WEB-170918.pdf]

² Assumes all funds allocated to additional police officers with annual cost of £30k and £12.5k associated with recruitment, training and equipment. Funds can and should be allocated according to local priorities.

The Effect of Police Precept Cap Lift by 12p and 20p for England vs Current 2%/£5 Cap*

PCC / Force Area	Automatic Increase in Cap			Contingent Increase in Cap			
	Effect of Cap Lift to 12p/week			Effect of Contingent Cap Lift to 20p/week			
	Extra Funds	Variance vs. Expected	Equivalent % Increase	Extra Funds	Variance vs. Expected	Equivalent % Increase	Reserve Surrender
Avon & Somerset	£3.4m	+£1.4m	3.4%	£5.7m	+£3.7m	5.7%	£2.3m
Bedfordshire	£1.3m	+£0.6m	3.8%	£2.1m	+£1.4m	6.3%	£0.9m
Cambridgeshire	£1.7m	+£0.7m	3.3%	£2.9m	+£1.8m	5.6%	£1.1m
Cheshire	£2.3m	+£1.1m	3.8%	£3.8m	+£2.6m	6.3%	£1.5m
Cleveland	£0.9m	+£0.3m	2.9%	£1.6m	+£0.9m	4.8%	£0.6m
Cumbria	£1.0m	+£0.3m	2.8%	£1.7m	+£1.0m	4.7%	£0.7m
Derbyshire	£1.9m	+£0.8m	3.5%	£3.2m	+£2.1m	5.8%	£1.3m
Devon & Cornwall	£3.6m	+£1.6m	3.5%	£6.1m	+£4.0m	5.9%	£2.4m
Dorset	£1.8m	+£0.7m	3.2%	£2.9m	+£1.8m	5.3%	£1.2m
Durham	£1.0m	+£0.5m	3.7%	£1.7m	+£1.2m	6.1%	£0.7m
Essex*	£3.9m	+£0.8m	4.0%	£6.5m	+£3.3m	6.6%	£0.0m
Gloucestershire	£1.4m	+£0.4m	2.9%	£2.3m	+£1.3m	4.8%	£0.9m
Greater Manchester*	£4.5m	+£0.9m	3.8%	£7.5m	+£3.9m	6.4%	£0.0m
Hampshire*	£4.2m	+£0.8m	3.8%	£7.0m	+£3.6m	6.3%	£0.0m
Hertfordshire*	£2.7m	+£0.5m	4.1%	£4.5m	+£2.4m	6.8%	£0.0m
Humberside	£1.6m	+£0.7m	3.3%	£2.7m	+£1.7m	5.6%	£1.1m
Kent*	£3.8m	+£0.8m	4.0%	£6.3m	+£3.3m	6.6%	£0.0m
Lancashire	£2.7m	+£1.2m	3.8%	£4.4m	+£3.0m	6.3%	£1.8m
Leicestershire	£1.9m	+£0.8m	3.3%	£3.2m	+£2.1m	5.6%	£1.3m
Lincolnshire	£1.4m	+£0.5m	3.0%	£2.3m	+£1.4m	5.1%	£0.9m
Merseyside	£2.2m	+£1.1m	3.8%	£3.7m	+£2.6m	6.3%	£1.5m
Metropolitan/London	£17.9m	+£1.8m	2.2%	£29.9m	+£13.8m	3.7%	£11.9m
Norfolk	£1.8m	+£0.5m	2.9%	£3.0m	+£1.7m	4.8%	£1.2m
North Yorkshire	£1.8m	+£0.5m	2.8%	£3.1m	+£1.8m	4.7%	£1.2m
Northamptonshire	£1.5m	+£0.5m	3.0%	£2.4m	+£1.5m	5.0%	£1.0m
Northumbria*	£2.4m	+£0.5m	6.3%	£4.0m	+£2.1m	10.6%	£0.0m
Nottinghamshire	£1.9m	+£0.8m	3.4%	£3.2m	+£2.1m	5.7%	£1.3m
South Yorkshire*	£2.1m	+£0.4m	3.9%	£3.6m	+£1.9m	6.6%	£0.0m
Staffordshire	£2.1m	+£0.9m	3.4%	£3.5m	+£2.3m	5.7%	£1.4m
Suffolk	£1.5m	+£0.7m	3.5%	£2.5m	+£1.7m	5.9%	£1.0m
Surrey	£3.1m	+£0.9m	2.8%	£5.1m	+£2.9m	4.6%	£2.1m
Sussex*	£3.8m	+£0.8m	4.1%	£6.3m	+£3.3m	6.8%	£0.0m
Thames Valley	£5.5m	+£2.5m	3.7%	£9.1m	+£6.1m	6.1%	£3.7m
Warwickshire	£1.2m	+£0.5m	3.3%	£2.1m	+£1.3m	5.4%	£0.8m
West Mercia	£2.7m	+£1.0m	3.3%	£4.4m	+£2.8m	5.5%	£1.8m
West Midlands*	£4.3m	+£0.9m	5.4%	£7.2m	+£3.7m	8.9%	£0.0m
West Yorkshire*	£3.9m	+£0.8m	4.1%	£6.5m	+£3.4m	6.9%	£0.0m
Wiltshire	£1.6m	+£0.7m	3.7%	£2.6m	+£1.7m	6.1%	£1.0m
England Total	£108.4m	+£30.9m	3.3%	£180.7m	+£103.2m	5.4%	£48.5m

Note: These calculations are made using a constant 2017-18 council tax base for council tax setting purposes with a 12p/week (£6.24 p.a.) and 20p/week (£10.40 p.a.) increase on the 2017-18 average (Band D 2 adult equivalent) police precept. The tables show funds raised, additional funds raised compared to an expected (assumed) maximum increase of 2% or up to £5 for the *ten lowest precept forces. They exclude the effect of the flat cash settlement and any other adjustments.

The Case Against the 2% Cap

The current cap of 2% on increases in the policing precept dates from the Coalition government formed in 2010. Since then the core grant to policing has reduced significantly, even while policing demand has changed. The Association for Police and Crime Commissioners and the National Police Chiefs Council, in joint submissions on the future levels of funding for the police service, have set out some of the rising demands on policing – issues recognised by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS), such as:

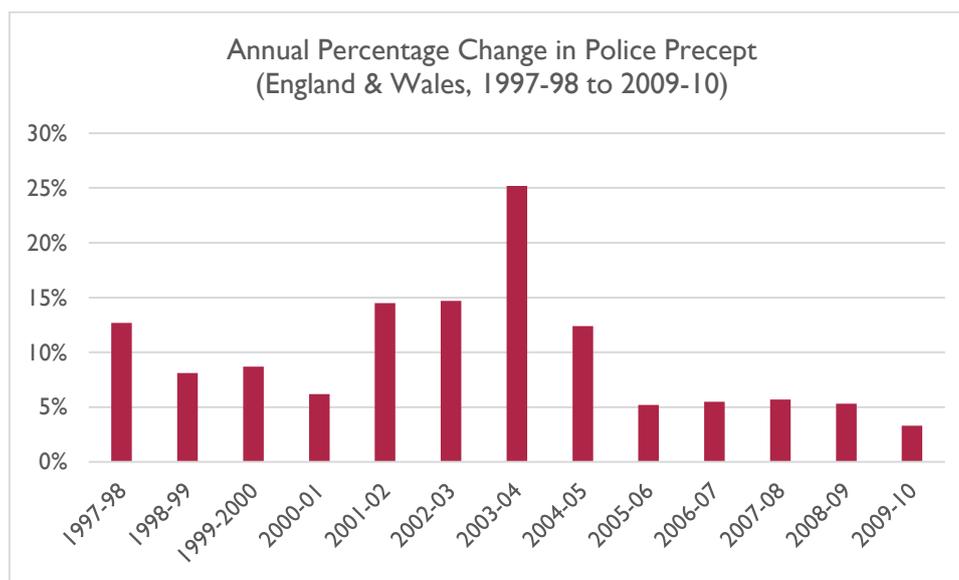
- The growing demands generated from child sexual exploitation;
- The pressures of tackling increasing volumes of cybercrime;
- The increasing complexity of criminal investigations and digital forensics; and
- The enormous volume of fraud offences and resulting investigations;

Furthermore, the latest police pay settlement is currently to be paid out of existing policing budgets, and additional costs to policing – such as inflation, the apprenticeship levy and the potential for increased local costs associated with the Emergency Services Network (ESN) – are expected to further erode the real value of budgets.³

Finally, the choice of a percentage cap works well when there is some degree of comparability in precept levels, however the current extent of variation means that a 2% cap unfairly penalises forces inheriting a low precept. Furthermore, the Government's own efforts to aid convergence have already seen the 2% cap replaced with a more appropriate cash cap of £5 per annum for the ten lowest precept areas.

Why Reform Rather than Remove the Cap

The need for a cap on the police precept, as police funding arrangements develop, can be made plain by an examination of the annual percentage change in the police precept for England and Wales between 1997-98 and 2009-10, highlighting how unchecked police authorities can and did increase the precept, with an aggregate increase in excess of 25% in 2003-04.



Recommendation: The Government should convert the cap to a cash sum and set the cap at twelve pence per week (£6.24 per annum). This would recognise growing demand and cost pressures and ensure all forces would see a funding uplift against the current cap. It would also recognise and enable the significant latent potential of Police and Crime Commissioners to address local needs whether through investment in proactive policing capability and/or effective programmes or early interventions.

³ *Submission on Future Levels of Funding for Police Services*, APCC/NPCC, November 2016 [Accessed on 4 December 2017 via <http://bit.ly/2ASqaN4>]

The Home Office has previously argued against increases in the precept cap and core grant funding on the basis that police forces have amassed reserves totalling £1.6bn.⁴ While much of the reserves are allocated for specific use, we believe the Government should enable PCCs to unlock an additional precept increase of up to eight pence (giving a total maximum increase of up to twenty pence per week or £10.40 per year) in return for PCCs surrendering a matched one-off contribution from their reserves equivalent to the sum of funds raised above the basic twelve pence cap in the first year.

Reserves can only be spent once and should therefore not be used to support the annual revenue budget, unless it is a short-term solution, with a robust plan for addressing the future shortfall.⁵ This proposal therefore works for the Home Office, seeing forces make use of any useable reserves, and for PCCs, by giving a clear and immediate return on the one-off 'investment' of a portion of their reserves where reserves might already be earmarked.

Reforming the cap and the offer of an enhanced contingent cap would provide democratically accountable Police and Crime Commissioners with the freedom to both better protect core service delivery, but also to make innovative investment or commissioning decisions to help tackle crime and protect the vulnerable in their local communities.

Providing PCCs with this freedom represents the next step in the development of this important reform. PCCs should have the freedom to invest additional resources in evidence-based programmes that help reduce crime and make communities safer. Such investment could rightly range from proactive community policing programmes through to early intervention programmes that help tackle the causes of crime.⁶

Recommendation: If Police and Crime Commissioners wish to increase the precept by a sum between twelve pence and twenty pence per week, then the additional funds raised in year one should be matched by the one-off surrender of an equivalent sum from reserves.

Recommendation: Those sums surrendered from reserves on a one-off basis should remain within policing. Consideration should be given to the most effective re-investment of these sums, for example via the Police Innovation Fund, helping contribute to further improvements and innovations within and across policing.

Finally, as has been raised by MPs in Parliament and PCCs, the Government must consider the benefit to public safety that can come from enabling those PCCs with relatively low precept rates to approach the levels seen in comparable areas.⁷

The current arrangement places a cap of up to a £5 increase in the precept for the ten lowest precept areas.⁸ This currently equates to between 3% and 5% caps for the ten lowest precept areas. We

⁴ *Policing Minister speaks to every police force across England and Wales*, Home Office, 7 November 2017 [Accessed on 12 December 2017 via <https://homeofficemedia.blog.gov.uk/2017/11/07/policing-minister-speaks-to-every-force-across-england-and-wales/>]

⁵ *APCC Briefing: Police finance: grants and other sources of police income*, Association of Police and Crime Commissioners, December 2015 [Accessed on 12 December 2017 via <http://www.wiltshire-pcc.gov.uk/Document-Library/Election-2016/Police-finance-Grants-and-other-sources-of-police-income-003.pdf>]

⁶ Examples of such services include custody liaison and diversion services targeted at female offenders, prolific offenders and young offenders; support for effective Women's Centres that can provide safety and meet the needs behind offending behaviours; or other services that can prevent crime and reduce recidivism.

⁷ *Police Grant Report (England and Wales) Debate*, House of Commons, Hansard, 10 February 2016 [Accessed on 1 December 2017 via <https://www.theyworkforyou.com/debates/?id=2016-02-10a.1586.0#g1610.2>]

⁸ The ten lowest areas for 2017-18 are Essex, Greater Manchester, Hampshire, Hertfordshire, Kent, Northumbria, South Yorkshire, Sussex, West Midlands and West Yorkshire.

therefore propose a simple modification enabling PCCs in the ten lowest precept areas to raise their precept by up to twenty pence without having to surrender any reserves. This would enable those areas to increase their precept by between 6.3% and 10.6% without any requirement to surrender a matched reserve, keeping any precept increases within reasonable limits while aiding a levelling up of the local funding base.

Recommendation: The Government should modify the current provision, allowing PCCs for the ten lowest precept areas to raise their precept by up to twenty pence per week without a requirement to surrender funds from reserves.

These measures, taken together, will help ensure that – as promised by the Government⁹ – the police have the resources they need to do their job of cutting crime and improving community safety, while building on the centrepiece of the Government’s reforms to policing in recent years. They also balance the Government’s desire to protect the “just about managing” from excessive tax increases, while recognising the social justice arguments in favour of giving freedom to local areas to invest in the fight against crime.

Additionally, the flat cash settlement approach taken by the Home Office should also be reviewed so that PCCs are able to enjoy the full benefit of pound for pound increases in the precept, if only beyond a certain level. Allowing locally raised taxes to be diluted through a clawback or redistribution of core grant distorts the incentives around changes to the precept and undermines the democratic link between the taxpayer and the precepting authority, in this case the Police and Crime Commissioner.

There remains significant potential to develop and enhance the role of PCCs in holding police and other criminal justice and public services accountable for their contribution to fighting crime and improving community safety. Giving them greater control over their local precept and ensuring they can retain increases in the precept on a pound-for-pound basis is a vital next step, helping tackle crime that so disproportionately impacts on the poorest and most vulnerable in our society.

About the Centre for Social Justice

The Centre for Social Justice (CSJ) is an independent think-tank, established to put social justice at the heart of British politics. Moved by shocking levels of disadvantage across the nation, it studies the root causes of Britain’s acute social problems in partnership with its Alliance of around 350 grassroots charities and people affected by poverty. This enables the CSJ to find and promote evidence-based, experience-led solutions to change lives and transform communities.

⁹ *Police Funding Oral Answers to Questions - Home Department*, House of Commons, Hansard, 16th October 2017 [Accessed on 1 December 2017 via <https://www.theyworkforyou.com/debates/?id=2017-10-16a.567.3#g569.1>]

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