

APPENDIX B

Mr Gary Meyler
Formula Grant Review Team
Office of the Deputy Prime Minister
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Dear Mr Meyler

FORMULA GRANT DISTRIBUTION PAPER

Thank you for your invitation to comment on proposed changes to the police funding formula. Members of the Police Authority have discussed the proposed changes to the funding formula at the September Finance Committee and have endorsed this response. Specific comments are detailed below :-

POLICE SPECIFIC OPTIONS

POL1 : Updating – Activity Analysis

This is an evidence-based change that is being proposed and is therefore welcomed. However, since the data used is partial and volatile and the funding formula may be sensitive to this, the Authority would wish in the future to see data being averaged over a longer period in order to provide greater stability in the formula.

POL 1 : Sparsity / Rural Policing Fund

The Authority welcomes the proposal to equate the sparsity component to 1% since this more accurately reflects the rural nature of part of its force area. Indeed, the Authority would wish to highlight its past representation to the Home Office which was ultimately recognised, although no funding was made available.

POL 2 : Removing the remaining 10% establishment damping factor

The Authority has always argued for the removal of the residual 1994 establishment component and therefore welcomes and supports this proposal.

POL 3 and POL 4: Making the Formula Proactive

Despite being a beneficiary of this particular proposal, though only with regard to the public order component, the Authority still opposes it on the grounds that since future activity analysis will reflect policing priorities anyway, future funding will be more closely aligned to reality than judgmental proportions

based on ministerial priorities. Furthermore, the Authority would wish to state that this proposal moves away from the funding formula's principle of being based on need and on evidence, and therefore undermines its stability.

POL 5 : Including a new deprivation component into the formula, set at 2%

The Authority welcomes this proposal since, unlike how the rural policing fund helped to address sparsity and rural response times, there has been no additional recognition in the funding formula to address the costs of policing intense urban areas. However, the Authority would wish to see some additional explanation to support this proposal.

NON POLICE SPECIFIC OPTIONS

Area Cost Adjustment

The Authority has always argued that the Area Cost Adjustment does not acknowledge that police pay rates are set nationally and therefore apply to all Authorities (except the Metropolitan Police). The Authority would therefore only support an approach that recognises the specific costs incurred, using data for all public sector workers.

'Sluggish Costs' – relating to population growth and decline

The Authority has consistently lost funding as a direct result of population losses and would again reiterate that it does not consider that there is a direct correlation between the need to spend and population changes. The Authority considers that population losses do not result in corresponding reductions in costs to the Authority since many of its costs are fixed in nature and cannot be reduced at the same speed. In addition, it could be argued that population loss is a result of the migration of more economically active people which, in a policing sense, will add to deprivation and therefore actually increase the burden on resources. Such authorities have less scope to use the precept to make up this loss in revenue. Moreover, deprivation measures in the formula do not keep in step with actual deprivation – they are mainly based on the national census, which is updated only every ten years. The Authority therefore strongly opposes this proposal.

The proposal to have a threshold of 0.5% for population loss over two years would admit only Merseyside; the Authority would therefore argue that this should be lowered significantly.

Merging RSG and NNDR allocations

The Authority believes that this is a retrograde step, which serves to remove the link between local business and local provision of services and may lead to further increases in central control. It would therefore wish to state that it does not agree with this proposal.

Fixed Costs

The Authority recognises that whilst this might benefit smaller local authorities, it should not apply to police authorities as they are large enough to accommodate these costs.

Resource Equalisation

The Authority opposes any proposal that could see funds move away from the police block. However, since one of the options (RE2) involves uprating each spending block to bring it in line with actual spending for that block, the Authority would welcome this particular option since it currently spends above SSA.

Capital Financing

Since one of the options (CF2) involves a significant loss for the Authority and is related to how the reserved receipts control total is allocated to other blocks, the Authority would argue against this particular option.

If you have any queries about the content of this letter, please contact me on telephone number 0191 433 3582, fax at 0191 477 2272 or by e-mail at melwaller@gateshead.gov.uk

Yours sincerely

Mel Waller

Treasurer