

### **SOUTH EAST REGION OVERSIGHT BOARD MEETING – 27 APRIL 2010**

#### **SOUTH EAST REGION COLLABORATION PROGRAMME - FUNDING PRINCIPLES**

##### **1 Background**

- 1.1 The Forces in the South East Region comprising Hampshire, Surrey, Sussex and Thames Valley have reached agreement on their first regional collaboration ventures which were formally signed by Chief Constables and Police Authorities on the 14<sup>th</sup> January 2010.
- 1.2 It has been recognised that key to the success of any regional collaboration is the identification of a funding arrangement that is mutually fair and acceptable to all the participating Forces, but that there is no prescribed model that fits all collaboration ventures.
- 1.3 The Central Programme Team (CPT), together with key stakeholders, developed an initial options paper which considered funding models that had been previously adopted within the region (i.e. Regional Intelligence Unit) and also examples of those used in support of collaboration outside of the region.
- 1.4 In progressing to an approved model, a number of view points and issues were raised by the collaborating forces both in terms of the basic principles of the apportionment ratios and also with respect to the resultant financial positions once the model had been applied.
- 1.5 Through ongoing discussions and negotiations and in the spirit of collaboration for the 'greater good', the collaborating forces have agreed on a model to be adopted for the creation for the first three regional units.
- 1.6 This agreement was reached on the understanding that with key stakeholder engagement, including but not limited to Directors of Finance, Police Authority Treasurers and members of the DCC Support Services and Enabling Board, a review of the aforementioned funding model is carried out and a set of funding principles drawn up for the region.

##### **2 Purpose**

- 2.1 The purpose of this paper is to define a set of funding principles, including a description of the preferred apportionment model and to describe the process of its utilisation within the business cases for collaboration.
- 2.2 As described above, these funding principles draw upon lessons learned from the adoption of a funding model for the first formal collaboration agreements for the SE Region and will be used to facilitate the development and agreement of suitable funding arrangements in support of future collaborative ventures under the SERCP.

### **3 Definition**

#### 3.1 A proposed definition of a collaboration funding model for the SE Region:

*A mechanism of managing cost and benefit apportionment in support of a collaboration venture between two or more Forces within the region which is perceived as fair by all parties, recognises historic variances in individual Force investments and priorities and seeks to minimise any disbenefits to individual parties where there are overall benefits to the region as a whole.*

### **4 Principles**

#### 4.1 'Simplicity'

Whilst a funding model needs to satisfy, where possible, the requirements laid out in the definition above (section 3.1), consideration must also be given to the practical implementation of the chosen model and its suitability to each individual collaborative venture.

It is particularly important to ensure that any overhead of managing the financing process of a collaboration venture remains in proportion and does not, for example, offset any financial efficiency benefits gained as a result of the collaboration.

#### 4.2 'Ability to Pay'

For the purposes of the SERCP, a Force's 'ability to pay' will be defined by the 'Net Cost of Services' model as described in section 5.1.

#### 4.3 'Investment Re-alignment'

It is recognised that across the region the individual Forces will have prioritised and invested to different levels across their portfolio of policing services.

In order to lessen the impact on any Force that would be adversely affected by any investment re-alignment as a result of the chosen funding formula, consideration will be given to employ a 'damping' factor over the first two years. At the third year and thereafter, unless otherwise agreed by all parties, any applied damping will cease and the agreed funding formula applied without any adjustment.

#### 4.4 'Level of Buy In'

At the early stages of development of the individual collaboration business cases, Forces should be given the opportunity to choose their level of 'buy in' to the proposed collaborative venture.

This would allow Forces that have historically invested more/less in a certain area, for that Force to continue that relative investment in the proposed collaborative venture and at the same time receive a commensurate level of service from said venture.

This variance in level of 'buy in' could be supported either by an alternative funding model (e.g. 'pay as you go') to the preferred model or a Force may

choose to retain an element of its existing Force capability over and above that which would form part of the collaborative venture. Any 'retained' capability would sit outside of the regional funding model and outside of the 'regional capability' although consideration should be given as to whether this could provide additional regional resilience if required.

In some cases, a Force may choose to 'opt out' of a collaborative venture if there are no perceived benefits for that force in terms of efficiency or effectiveness.

## **5 Preferred Model**

### **5.1 'Net Cost of Services'**

The Net Cost of Services, as defined and reported in the 'Income and Expenditure Account' incorporated in the annual statutory 'Statement of Accounts' for each Authority, will be used to calculate the apportionment ratios.

The apportionment ratios for any one year will be calculated using the mean values of Net Cost of Services reported in the previous three years' Statement of Accounts.

It is proposed that this is the region's 'default' funding formula which should be considered under the following conditions:

- *All Forces wish to fully 'buy in' to the venture*
- *The venture covers an 'essential service' which a Force must provide and invest in*
- *The demand on the regional service is not Force driven*
- *Levels of investment across the region closely align to the Funding Formula Grant ratios.*
- *The financial value of the venture is small enough that it doesn't warrant a complex funding formula and any individual Force financial disbenefits are negligible.*

Note: Where it is deemed that the preferred model described above is not appropriate for any particular collaboration venture, other models will be considered: the 'Toolkit for Police Collaboration 12<sup>th</sup> March 2010' contains guidance on potential funding models.

## **6 Process**

6.1 The proposed funding formula, to be adopted for each individual collaborative venture, will be described and illustrated in the business case for collaboration as it is developed. Progress will be described in the SERCP Highlight Report and approval of the business case will follow the existing Programme Governance structure and process.

6.2 Key stakeholders, including Police Authority Treasurers and Force Directors/Heads of Finance will be involved in the early development and application of the funding formula for each collaboration venture.

6.3 In preparing the business case, the CPT will, based on the guidance in this document, initially consider the preferred funding model but where this is

demonstrated to be inappropriate then other models will be considered and a 'best fit' selected in terms of adhering to the funding principles.

## **7 Current Position**

- 7.1 The Funding Principles have been developed in conjunction with the Treasurers and Directors of Finance of the Police Authorities and forces of Hampshire, Surrey, Sussex and TVP. Whilst broad acceptance of the principles have been reached, final agreement is required concerning the apportionment of funding for the Preferred Model.

## **8 Recommendation**

- 8.1 That the Oversight Board endorse the progress to date and the intention to secure a final agreed position which can be taken to police authorities for formal approval and final adoption at the next Oversight Board.

**Chief Superintendent Mark Streater**  
**Programme Lead**  
**South East Region Collaboration Programme**