



13 May 2011

Home Affairs Select Committee

Accountability and cost reduction in the new policing landscape

The National Audit Office has prepared this briefing for the Home Affairs Select Committee to support the Committee's inquiry into the new landscape of policing. The briefing is designed to provide members of the Committee with:

- An introduction to the future landscape of policing.
- An overview of the key issues arising from how the Committee of Public Accounts' 'Fundamentals of Accountability' would apply to the evolving landscape of policing including:
 - roles and responsibilities of Policing;
 - the framework for accountability in Policing;
 - local accountability arrangements;
 - national delivery roles;
 - the Home Office's responsibility for Policing; and
 - national and local audit arrangements.
- A financial analysis of publicly available data on police expenditure and Forces' plans to deal with reductions in central grant funding.

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Contents

Part One	4
Introduction	4
Proposals for future accountability arrangements	6
Part Two	14
Financial Analysis	14
The National picture	14
Four selected Police Forces	17
Approaches to structured cost reduction	20

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Part One

Introduction

Aim and scope of this briefing

1.1 This briefing has been prepared for the Home Affairs Select Committee (the Committee), to support its inquiry into the New Landscape of Policing 2011. The briefing draws on the Committee of Public Accounts 'Fundamentals of Accountability'¹, the Police Reform and Social Responsibilities Bill², the 2010 Green Paper "Policing in the 21st Century: Reconnecting police and the people"³, Her Majesty's Inspectorate of Constabulary's Value for Money Profiles⁴ and a variety of published Home Office and Police Force documents. We have not sought data directly from Police Forces or the Home Office, nor discussed cost reduction plans with Police Forces.

1.2 **Part One** provides a brief introduction to the future landscape of policing and sets out key issues arising from how the Committee of Public Accounts' 'Fundamentals of Accountability' would apply to the evolving landscape of policing. **Part Two** provides an analysis of publicly available data on police expenditure and Forces' plan to deal with reductions in the central grant funding.

The future landscape of policing

1.3 Proposals to reform policing were set out in the 2010 Green Paper "Policing in the 21st Century". The Government aims to make the police service more accountable to local people by replacing Police Authorities with directly elected police and crime commissioners. The Government also aims to end centralisation by removing policing targets, ring-fences on funding and restoring professional discretion. The paper covers the introduction of Police and Crime Commissioners, changes to the role and responsibilities of Her Majesty's Inspectorate of Constabulary, the abolition of central targets and performance measurement by the Home Office and the introduction of central procurement for certain items of police equipment. The majority of these policies are currently being debated as part of the progression of the Police Reform and Social Responsibilities Bill, currently in its second reading in the House of Lords. Figure 1 outlines our understanding of how the future policing landscape may look, including some of the key links between organisations as defined in publicly available information on the current proposed reforms.

¹ Committee of Public Accounts, *Accountability for Public Money*, HC 740, 5th April 2011.

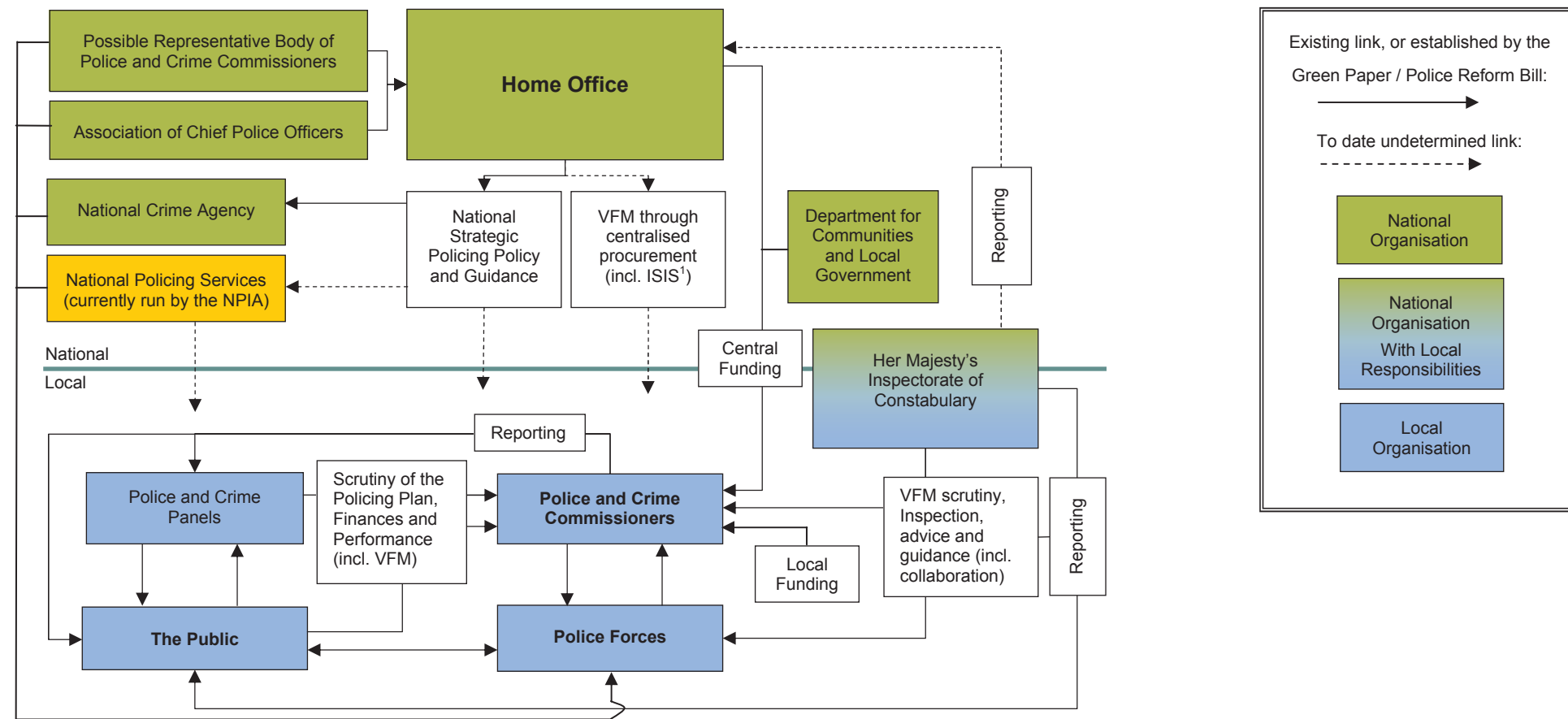
² <http://services.parliament.uk/bills/2010-11/policereformandsocialresponsibility.html>.

³ Home Office, *Policing in the 21st Century: Reconnecting police and the people*, Cm 7925, July 2010.

⁴ <http://www.hmic.gov.uk/PolicePerformance/Pages/Valueformoney.aspx>

Figure 1

The Future Policing Landscape



1. NPIA – National Policing Improvement Agency. ISIS – Information Systems Improvement Strategy.

1.4 Police Forces are funded by a combination of central government grants (from Home Office, and the Department for Communities and Local Government) and local precepts set by the Police Authorities and collected as part of the Council Tax. In addition to the proposed reforms, the 2010 Spending Review has resulted in a significant reduction in funding for the Police from central government grants, along with an ambition by Police Authorities to freeze Council Tax Precepts at 2010-11 levels. Forces have been tasked with finding total savings over the four years of around £1.3 billion, which in real terms equates to around £2 billion⁵ (around 20 per cent). However, if Police Authorities were to choose to increase the police precept at the level forecast by the Office of Budget Responsibility rather than freeze them, on average police budgets would see real terms reductions of £1.4 billion (14 per cent) over the next four years.

Proposals for future accountability arrangements

The Committee of Public Accounts' 'Fundamentals of Accountability'

1.5 The Committee of Public Accounts took evidence from senior civil servants and Ministers in January 2011 on issues relating to parliamentary accountability arising from the general move to greater local accountability. In its report, the Committee sets out its view of the fundamental elements which need to be in place to ensure the accountability process is effective (Figure 2).

1.6 The Government discharges accountability through the personal accountability of the Accounting Officer. The Committee of Public Accounts considers that “local accountability and reform structures do not absolve departmental Accounting Officers of their personal responsibility to gain assurance on the way funds voted to their departments are spent...Parliament must be able to ‘follow the pound’ to scrutinise the use of devolved resources. Accountability arrangements must be clear before devolved models are implemented.” This is particularly so as the significant proportion of funding for Police Forces comes from two central Government Departments (see Figures 3 and 4) and “service quality would be likely to prove the overriding priority for service users; cost and value for money would be secondary considerations in selecting the appropriate service”. There has to be an appropriate framework to enable the Accounting Officer at the Home Office, as lead policy Department, and other Departments where objectives are delivered through the police, to have appropriate assurances and controls over the spending. The Committee also believes that a critical role of the Accounting Officers is to satisfy themselves that “there is a sensible framework in place to promote value for money”⁶.

⁵ Calculated using HMT deflator.

⁶ Committee of Public Accounts, *Accountability for Public Money*, HC 740, 5th April 2011.

Figure 2

Summary of the Committee of Public Accounts' 'Fundamentals of Accountability'

- a. The Accounting Officer⁷ is personally and ultimately responsible to Parliament for the spending of taxpayers' money and must be unfettered in the discharge of these responsibilities.
- b. Where a Department provides funding to other bodies the Accounting Officer is responsible for ensuring that there is an appropriate framework in place to provide him or her with the necessary assurances and controls.
- c. Responsibilities and authority for policy and operational decisions are clear throughout the delivery chain.
- d. There is a clear process for measuring outcomes, evaluating performance and demonstrating value for money which allows organisations to be held to public account and which enables proper comparisons to be made across organisations delivering the same or similar services.
- e. All bodies which receive public funds are well governed and have robust financial management arrangements in place

Source: Committee of Public Accounts, *Accountability for Public Money*, HC740, 5 April 2011.

Roles and responsibilities for Policing

1.7 The 'Fundamentals of Accountability' define the need for clarity of role and responsibilities particularly with respect to the governance, accountability and delivery of value for money. With respect to policing, more emphasis will be placed on local accountability arrangements. The following paragraphs outline the roles and responsibilities for each of the significant policing organisations as defined by the 2010 Green Paper, the Police Reform and Social Responsibilities Bill (the Bill) and the draft Protocol for Elected Police Commissioners⁸.

The Home Office

- The Home Office will continue to have primary responsibility for policing in central Government, continuing to provide its element of the grant funding to police forces as well as retaining its role in setting the national strategic direction for the police. The focus will be on national policing issues, whilst ensuring that the Police Service, force, regional or national level, is more efficient whilst effective frontline policing is maintained. The Home Secretary retains powers to direct

⁷ The Accounting Officer, normally the Permanent Secretary in the department, is personally responsible for the regularity and propriety of expenditure, robust evaluation of different mechanisms for delivering policy objectives, value for money, the management of risk, and accurate accounting for the use of resources.

⁸ <http://www.homeoffice.gov.uk/publications/police/police-commissioners-protocol>

Police and Crime Commissioners and Chief Constables to take action if they are failing to carry out their functions, in defined and extreme circumstances. The Bill puts in place the power for the Home Secretary to specify procurement arrangements to be used by the Police Service as a whole. A national approach to the procurement of Information Technology Systems is underway through the Information Systems Improvement Strategy (ISIS), which intends to converge police IT systems by 2015. The aim is to stop 43 Police Forces procuring things in 43 different ways and introduce a degree of national coordination in respect of cross-boundary operations.

Police and Crime Commissioners

- The Bill proposes that publicly elected local representatives in policing replace the existing Police Authority arrangements. The proposed Police and Crime Commissioners will represent and engage with the public, set local policing priorities, agree a local strategic plan, set the force budget and precept levels, appoint the Chief Constable, hold him or her to account, and have the power where necessary to dismiss the Chief Constable.

Police and Crime Panels

- The proposed role of Police and Crime Panels is to provide scrutiny of the performance of the Police and Crime Commissioners. The panels will be made up of locally elected councillors from constituent local authorities and independent and lay members who will bring additional skills, experience and diversity to the discussions. They will also report to the public the performance of the Commissioner and Police Force. They will hold confirmation hearings for the post of Chief Constable and be able to hold confirmation hearings for other appointments made by the Commissioner to his staff, but without having the power of veto. Once the Commissioner has recommended the amount to be collected through the policing precept, Panels will also have a power to trigger a local referendum on this amount.

Association of Chief Police Officers (ACPO)

- The recent review of Police Leadership and Training⁹ proposed the creation of a new professional body for policing responsible for the key national standards, qualification frameworks, and the leadership and training approaches for the Police Service. It is envisaged however, that ACPO, or the new body, would remain the national organisation responsible for providing professional leadership for the police service. It will take the lead role on setting standards and sharing best practice across the range of police activities. It will also play a role in ensuring that Chief Constables drive value for money and will be expected to show strong leadership in promoting and

⁹ <http://www.homeoffice.gov.uk/publications/consultations/rev-police-leadership-training/>

supporting the greater use of professional judgement by police officers and staff. The potential reforms will have implications for the structure and role of ACPO and a Home Office consultation is underway to explore these proposals.

Her Majesty's Inspectorate of Constabulary (HMIC)

- HMIC will retain its role as an independent Inspectorate, although the intention is that its inspection regime will become lighter-touch than it is currently. It will provide the public with information on local policing outcomes and value for money, to help them make informed judgements on how well Police and Crime Commissioners and their forces are performing. It will produce publicly accessible information reflecting the priorities of the community, as well as the existing Value for Money Profiles to provide comparative data, enabling the public, Police and Crime Commissioners and chief officers to make comparisons across Force areas. HMIC will conduct Value for Money Inspections, which will consider the value for money achieved by: local activity; the use of nationally provided contracts or services; and collaborative work. Police and Crime Commissioners will be able to call upon HMIC to inspect their Force or aspects of its work if they believe that the Chief Constable is unable to make sufficient progress on value for money.

National Policing Improvement Agency (NPIA)

- The Government announced in May 2010 that the Agency will be phased out by 2012. The Agency currently provides a range of support services, for example, national policing and crime databases, the Airwave radio and the ISIS programme. It also provides direct support to police forces in terms of improvement activity and support to operational policing and guidance on Police standards.

The framework for accountability in Policing

1.8 The 'Fundamentals of Accountability' state that responsibilities and authority for policy and operational decisions should be clear throughout the delivery chain. There should be a clear process for measuring outcomes, evaluating performance and demonstrating value for money which allows organisations to be held to public account and which enables proper comparisons to be made across organisations delivering the same or similar services. Accountability will operate at different levels in Policing. Our commentary on the arrangements being put in place is set out below.

Local accountability arrangements

1.9 Responsibility for operational decisions at local level is, and will remain solely the responsibility of the Chief Constable. The proposals outline that at the local level the Force and the Commissioner - with assistance, support and scrutiny from local financial auditors, the Inspectorate and the Police and Crime Panel - will work together

to deliver information to the public and to manage the business. The proposed new local structures and arrangements for governance, accountability and value for money allow both the Chief Constable and Commissioner to be held to account separately for both the financial management and performance of the police force. The exact nature of this arrangement, however, is to be determined at the local level, which may increase the variation in the way in which policing is delivered and performance is measured.

National delivery roles

1.10 The proposals set out in the 2010 Green Paper are that a National Crime Agency, encompassing organised crime, border security and operational support, should be set up by 2013. The National Policing Improvement Agency, which is to be phased out by 2012, currently provides access, maintenance and support for a range of policing and crime critical policing databases, communications systems and other strategic policing equipment. These include Airwave (the police national radio system), police national database, and the police national computer. Whilst the proposals outline that the new National Crime Agency is to take on much of the operational support functions, it is not yet clear which organisation will take on responsibility for the critical systems and services.

1.11 Under the future proposals the Home Office is taking on responsibility for the centralised procurement of equipment, goods and services, the convergence of IT systems, the delivery of some but not all support services and the delivery of a national strategy for policing. It will require robust performance and financial information to be able to determine the needs of the Police Service, the impact that central procurement will have and to determine if value for money has been achieved through the procurement. Since the Green paper, there has been no further information published on the Home Office's strategy for the central procurement of goods and services.

The Home Office's responsibility for Policing

1.12 The Committee of Public Accounts' 'Fundamentals of Accountability' note that even in a devolved delivery system such as policing, the Accounting Officer of the Home Office will need to understand what the whole system is delivering and, where there is variation, to understand why. There should be a clear process for measuring outcomes, evaluating performance and demonstrating value for money which allows organisations to be held to public account and which enables proper comparisons to be made across organisations delivering the same or similar services. A critical role for the Accounting Officers of all departments is to satisfy themselves that there is a sensible framework in place to deliver value for money.

1.13 As part of the reducing bureaucracy agenda, the Home Office will no longer set central targets or performance manage the Police Service. However, it will have responsibility for the grant, strategy for policing, central procurement and the convergence of IT systems. The Home Office has explained that the Home Secretary

will retain the ability to intervene where force budgets are set too low and threaten the security of the public; to require any Police and Crime Commissioner to enter into performance agreements over national and international policing responsibilities; and to specify some functions that all forces must perform through collaboration with other forces or other bodies. The Home Secretary will also issue a new Strategic Policing Requirement setting out the policing capabilities needed to deal with threats that cross police force boundaries, for example counter terrorism or other national priorities, to which Police and Crime Commissioners will be required to have regard in making plans.¹⁰

1.14 The Home Office has set out its ongoing role to monitor the national crime risk and to report to Parliament. As part of this, the Home Secretary retains powers to collect information from forces to ensure that key information, such as national crime figures, are available in the public interest and to inform policy.¹¹ In its business plan, the Home Office currently has a single input measure “Cost per head of population of total police force cost, as part of HM Inspectorate of Constabulary value for money profiles for the police” and two impact measures “Crime rates – violent and property crime reported to the police” and “The size, value and nature of organised crime and our success in diminishing it and its profitability”.

1.15 Neither the Bill nor the Green Paper specify either the data required or which organisation will be responsible for its collection and analysis in order to provide a Police Service wide picture to inform decision making at the national level. Her Majesty’s Inspectorate of Constabulary has, however, been developing Value for Money Profiles, which whilst still in development, provide a strong basis for the development of an analytical framework which could effectively support decision making at both local and national levels. This framework can provide a baseline of police service performance and facilitate analysis to track local performance, from which the outcomes of for example improvement activity or alternative methods of procurement could be assessed. The proposals do not adequately define how the Home Office will judge performance at the national level. However, the Home Office has told us that Ministers have agreed to, and now receive, monthly reports which allow them (and the Accounting Officer) to take a view on performance at the national level. Several organisations will share responsibility for the delivery of national policy objectives, including cost reduction and value for money. Such a role would include consideration of system-wide cost drivers, and assessing and monitoring the impact, if any, of cost reduction on overall performance.

1.16 In the past there was an established relationship for dealing with under-performing Police Forces. HMIC used to inspect Forces against a series of criteria based on the Policing Standards set out by both ACPO and the National Policing Improvement Agency. The Inspectorate had a defined “Ladder of Intervention and Support” which reflected the overall result of Police Force inspections. The ladder was

¹⁰ Police Policy Factsheet, *Police and Crime Commissioners: Reserved Powers*, Police Reform and Social Responsibility Bill, Home Office March 2011.

¹¹ Police Policy Factsheet, *Provision of Information: Police and Crime Commissioners and Chief Officers*, Police Reform and Social Responsibility Bill, Home Office March 2011.

a tool used to provide an indication of the level of support and improvement activity, potentially provided by Home Office funding, that each force required in order to pass future inspections. The ladder ranged from no action required to the potential removal of the Chief Constable by the Home Secretary, and HMIC judge that it has been used successfully. Under the proposed reforms, the Home Office will be able to require a Police and Crime Commissioner to produce an action plan in response to an HMIC inspection. However, the proposals do not specify the use of the Inspectorate's methodology and, whilst the Home Secretary retains the power to intervene, the circumstances around which such an intervention would take place at the Police Force level are undefined.

1.17 The proposals also set out a change to the circumstances in which police forces are intended to collaborate. Current arrangements are extremely variable in demonstrating improvements in services or lower costs. The Green Paper states that in many areas, the governance and accountability arrangements are too weak and decisions over whether or not to collaborate are only reached after protracted debate and negotiation. Whilst the proposals place responsibility for collaboration on the Police and Crime Commissioners, they also state that Her Majesty's Inspectorate of Constabulary will assist both the Home Secretary and Police and Crime Commissioners in identifying which forces should collaborate and on which areas of policing. The Inspectorate will also assess individual forces and their Commissioners on the effectiveness of their decisions to collaborate in maintaining or improving services at a lower cost.

National and local audit arrangements

1.18 The National Audit Office (NAO) scrutinises public spending on behalf of Parliament. The role of the NAO encompasses the financial and value for money audit of central government departments and bodies. This includes the Home Office and the National Policing Improvement Agency. The NAO does not audit local government spending, such as Police Forces and Authorities, which is currently the role of the Audit Commission. On the 13 August 2010 the Secretary of State for Communities and Local Government announced plans to disband the Audit Commission, and refocus audit of local public bodies. The aim is "to replace the current, centralised audit systems managed by the Audit Commission, with a new decentralised regime, which will support local democratic accountability, and one that will also cut bureaucracy and costs, while ensuring that there continues to be robust local public audit." In March 2011, the Department for Communities and Local Government in a consultation document set out the proposals for a new audit framework where:

- The National Audit Office would prepare the Codes of audit practice, which prescribe the way in which auditors are to carry out their functions, and which would continue to be approved by Parliament, and associated guidance.
- The National Audit Office would also continue to audit Government departments providing funding to local public bodies and will continue to receive Whole of Government Accounts returns.

- Principal local authorities would appoint their own auditors, with decisions made by full council, taking into account advice from an independently chaired audit committee, and in the case of policing by the Police and Crime Panel.

The consultation runs from 30 March until 30 June 2011.

Part Two

Financial Analysis

2.1 This Part of the briefing examines current and future expenditure plans of Police Forces. In three sections we examine the national picture, provide analysis of four Police Forces and examine the plans for structured cost reduction that were available to us from the 43 Forces. The four Forces selected by the Home Affairs Select Committee for specific examination are Greater Manchester, Gwent, Leicestershire and the Metropolitan Police, and we have included the information these Forces provided to the Committee in our analysis.

The National picture

2.2 The 2010 Spending Review resulted in a reduction in central Government grant funding to all Police Authorities in England and Wales (Figure 3). By 2014-15 annual police funding will be some £1.3 billion less than in 2010-11, in real terms this equates to a reduction of around £2 billion (20 per cent).

Figure 3

Central Government grant funding for Police Forces

Funding source	2010-11 (£ billion)	2011-12 (£ billion)	2012-13 (£ billion)	2013-14 (£ billion)	2014-15 (£ billion)
Home Office General Grant	4.643	4.940	4.591	4.849	4.759
DCLG Grant	3.670	3.345	3.138	3.093	3.051
Home Office Specific Grants	1.494	1.049	1.094	0.718	0.736
TOTAL	9.807	9.341¹	8.830¹	8.660	8.546
Change from 2010-11 (£ billion)	-	-0.466	-0.977	-1.147	-1.261
Real terms change from 2010-11 (£ billion)	-	-0.541	-1.237	-1.611	-1.927
Real terms change from 2010-11 (%)	-	-6.6%	-13.7%	-17.4%	-20.7%

Note: ¹ Contains small contingency fund not included in the main table.

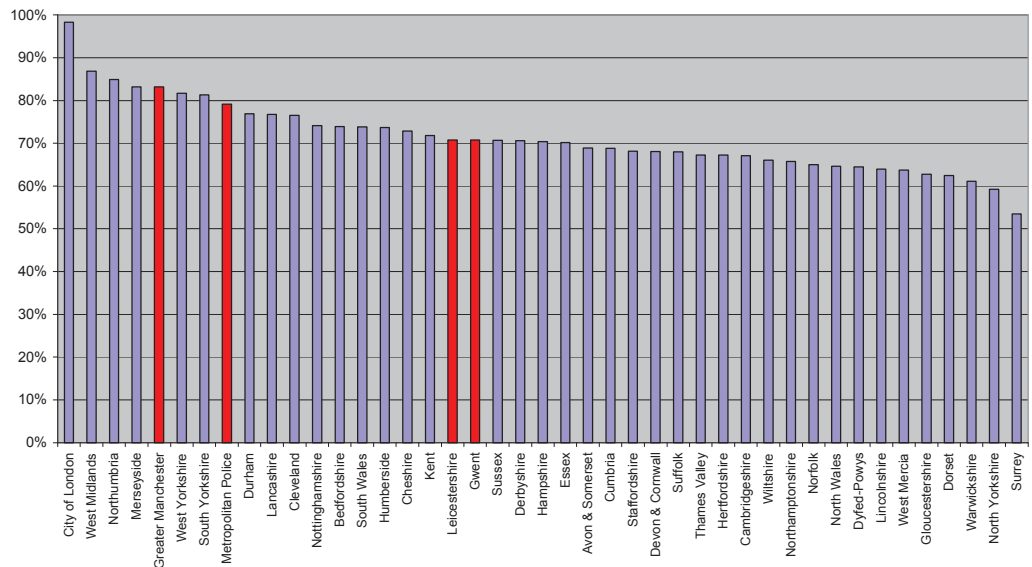
Source: Home Office. 'Allocations of grant to Police Authorities in England and Wales'. 13 December 2010. Annex A, and p.54, table 2.10 HM Treasury, Spending Review 2010.

2.3 In addition, Police Force capital grants will also reduce. The total capital allocation was around £210 million in 2010-11, which will fall to around £125 million in 2012-13, a reduction of £85 million (£90 million in real terms). A proportion of the capital grant, £22.5 million (26.5 per cent of the total) in 2011-12 and £33.1 million (26.5 per cent of the total) in 2012-13 is provisionally allocated to the Metropolitan Police.

2.4 The reductions in central government funding are likely to affect Forces to differing extents. The dependency of police forces on central government funding varies significantly from force to force, as set out in Figure 4. At the top end, City of London Police received 98 per cent of its funding from central government in 2009-10. In contrast, Surrey Police Force received only 54 per cent of its 2009-10 funding from central government funds. The remaining funding is made up from a combination of the police precept (collected locally as part of council tax), police authority reserves or other income generated for example from policing of local activities. Forces with a greater reliance on central government funding are going to have to realise relatively greater savings over the period covered by the 2010 Spending Review. An increase in the Council Tax Precept may offset the shortfall in central government budget allocation. In recognition that many Police Authorities will freeze the police precept delivered from 2010-11 Council Tax, the Home Office have also included an annual £75 million top-up grant to the total central government funding, however, this is equivalent to only 14 per cent of the 2011-12 central funding reduction in real terms.

Figure 4

Police Forces relative dependence on central government funding 2009-10



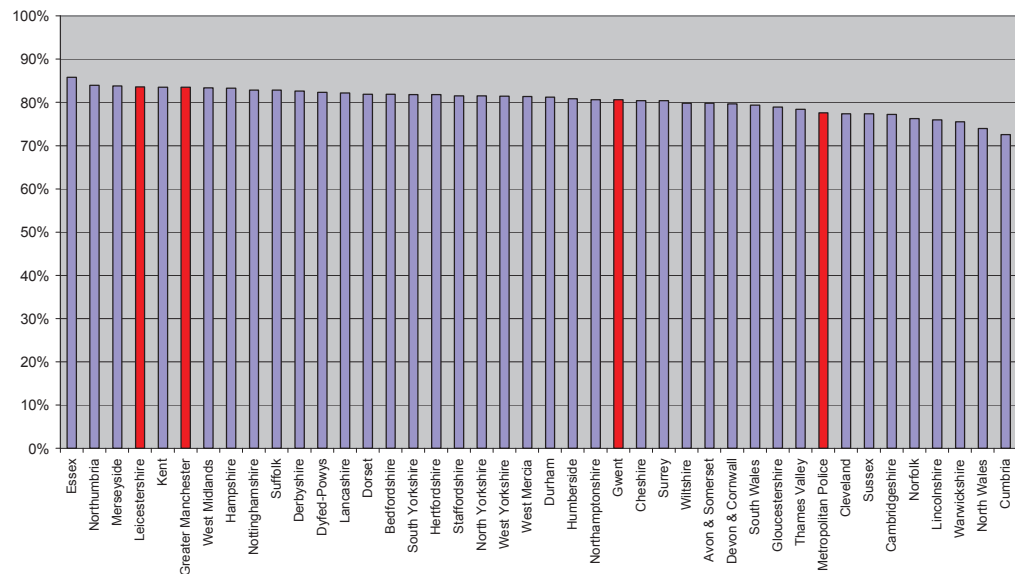
Note: Greater Manchester, Gwent, Leicestershire and the Metropolitan Police highlighted.

Source: National Audit Office analysis of Her Majesty's Inspectorate of Constabulary, 2009-10 Value for Money profiles.

2.5 The amount that police forces spend on their workforce also varies significantly across the country¹² as shown in Figure 5. In 2009-10, Essex Police spent the most proportionally on its workforce at 86 per cent (around £262 million), whilst City of London Police spend the least at around 71 per cent (around £69.6 million).

Figure 5

Proportion of Police Force gross revenue expenditure spent on workforce 2009-10



NOTE: Greater Manchester, Gwent, Leicestershire and the Metropolitan Police highlighted.

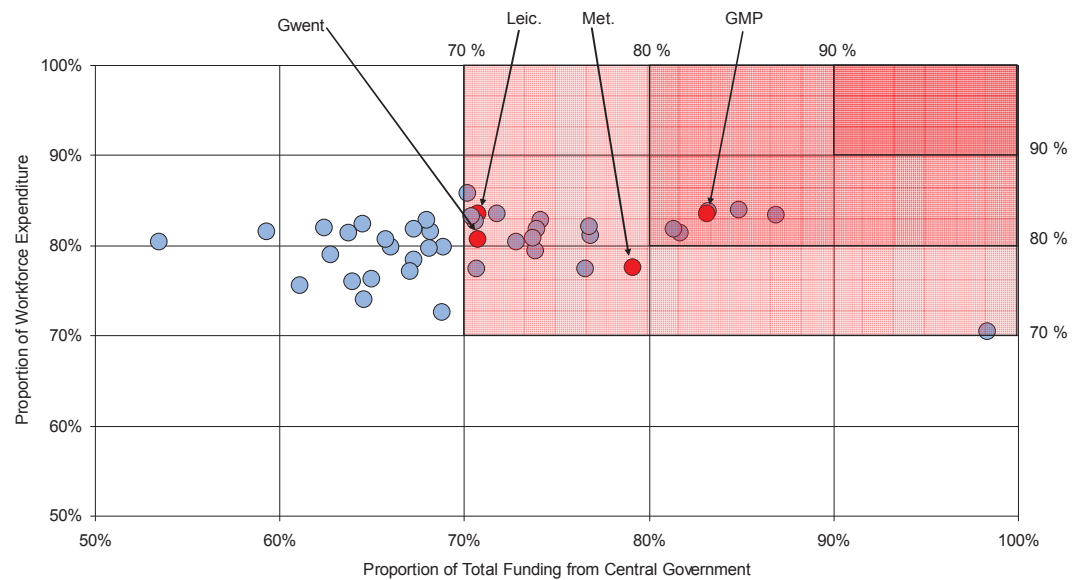
Source: National Audit Office analysis of Her Majesty's Inspectorate of Constabulary, 2009-10 Value for Money profiles.

2.6 If Forces spend a greater proportion of their budget on workforce-related costs (Figure 5), and are more dependent on central Government funding (Figure 4), then they will be under more pressure to make reductions in their workforce in order to deliver the required savings. For example, there are six Forces that receive between 80 and 90 per cent of their funding from central government and spend between 80 and 90 per cent of their budget on manpower, as Figure 6 shows. These Forces are West Midlands, Northumbria, Merseyside, West Yorkshire, South Yorkshire and Greater Manchester. Twenty-three of the 43 Forces (53 per cent) lie within the 70 - 90 percent range both in terms of their dependency on central funding and for the proportion of their expenditure on manpower.

¹² Her Majesty's Inspectorate of Constabulary '2009-10 Value for Money Profiles' <http://www.hmic.gov.uk/PolicePerformance/Pages/Valueformoneyprofiles.aspx>

Figure 6

Comparison of Central Government Funding Received and Manpower Expenditure 2009-10.



NOTE: Greater Manchester, Gwent, Leicestershire and the Metropolitan Police highlighted

Source: National Audit Office Analysis of HMIC Value for Money Profile Data

Four selected Police Forces

2.7 Four police forces were asked by the Home Affairs Select Committee to provide a breakdown of their budgets and areas of spending over the last three years. These forces are, Greater Manchester, Leicestershire, Gwent and the Metropolitan Police. At the request of the Committee we have examined the budgets provided by the Forces and provided an analysis of this information. The four Forces represent a cross-section of Police Forces in England and Wales, each covering different environments and populations sizes, such as: Gwent, a small Police Force covering a rural area with a population of some 560,000; Leicestershire, a medium-sized Force covering a mixed urban and rural area with a population of some 970,000; Greater Manchester, a large urban force policing a population of some 2.6 million; and the Metropolitan police, the largest force, policing a population of some 7.6 million.

2.8 In 2009-10 all four of the selected Forces are in the top half of all Forces in terms of the amount of central government funding, receiving over 70 per cent of their income in this way and spending over 70 per cent on workforce, as Figure 6 shows.

2.9 Figure 7 provides a breakdown of the proportion that each of the four Forces spends on workforce¹³ and non-staff related costs per officer. The Metropolitan Police spends substantially more per officer on both workforce and non-staff costs than the other three forces. In 2010-11 the Metropolitan Police Force planned to spend £8,548, around 18 per cent more per officer on workforce related costs and £4,940, around 51 per cent per officer on non-staff related costs than Gwent. The Metropolitan Police spends a slightly higher proportion on non-staff costs per officer than the other three Forces. Greater Manchester, Leicestershire and Gwent all have the same proportionate split between their spend per officer on workforces-related costs (83%) and non-staff costs (17%).

Figure 7

2010-11 Workforce and Non-Staff Costs per Officer

Police Force	Workforce related cost per officer (per cent)	Workforce related costs per officer (£)	Non-staff costs per officer (per cent)	Non-staff costs per officer (£)
Greater Manchester	83 %	46,805.23	17 %	9,301.81
Gwent	83 %	47,300.88	17 %	9,611.20
Leicestershire	83 %	45,975.90	17 %	9,257.56
Metropolitan	79 %	55,906.57	21 %	14,551.63

Source: Police Forces' budget data provided by the Home Affairs Select Committee, 11 April 2011. Home Office Statistical Bulletin, 'Police Service Strength: England and Wales, 30 September 2010'.

2.10 Police forces breakdown their non-staff related expenditure into five different areas: Supplies and Services; Capital Financing; Transport; Premises; and, other. The highest expenditure area for non-staff costs for the four Forces is 'supplies and services' which includes items such as furniture, equipment, catering and IT. The total annual expenditure for all four Forces on supplies and services reduced over the last two years, in aggregate falling by seven per cent from around £522 million in 2008-09 to £485 million in 2010-11.

2.11 Over the period 2008-09 to 2010-11, each of the Forces examined have, made adjustments to their expenditure in different ways, as shown in Figure 8. Over the period, Total expenditure across the four Forces has increased by around £102 million, (3.1 per cent). Non-staff expenditure has increased by around £134 million (3.8 per cent). All forces have managed their reserves to different extents, for example the Metropolitan Police have drawn on their reserve for the last two years, whilst Gwent has transferred money to its reserve over the same period.

¹³ Police forces define workforce as the total number of Police Officers, Police Community Support Officers and Police Staff.

Figure 8

The change in revenue expenditure 2008-09 to 2010-11

	MET				GMP				Leicestershire				Gwent			
				Change				Change				Change				Change
	08-Sep	09-Oct	10-Nov	08-09 to 10-11	08-Sep	09-Oct	10-Nov	08-09 to 10-11	08-Sep	09-Oct	10-Nov	08-09 to 10-11	08-Sep	09-Oct	10-Nov	08-09 to 10-11
	£'000	£'000	£'000		£'000	£'000	£'000		£'000	£'000	£'000		£'000	£'000	£'000	
Employee related costs	2,732,800	2,815,300	2,817,300	3.1%	551,060	573,290	582,819	5.8%	152,421	161,921	163,812	7.5%	108,467	112,381	114,563	5.6%
Supplies and services	443,900	422,500	397,300	-10.5%	51,827	55,214	60,357	16.5%	13,176	14,036	14,204	7.8%	12,927	13,295	13,271	2.7%
Capital financing costs	47,500	49,200	50,500	6.3%	6,794	8,149	8,759	28.9%	2,279	2,507	2,546	11.7%	827	866	877	6.0%
Premises	198,800	203,300	206,000	3.6%	29,982	31,901	33,127	10.5%	5,131	5,562	5,669	10.5%	5,541	5,780	5,562	0.4%
Transport	78,300	80,500	79,500	1.5%	8,829	9,456	9,592	8.6%	3,977	3,735	4,057	2.0%	2,777	3,021	3,090	11.2%
Other expenditure	- ¹	- ¹	- ¹	- ¹	2,253	3,059	3,992	77.2%	5,344	5,549	6,474	21.1%	513	1,995	479	-6.5%
Grants and income	- ¹	- ¹	- ¹	- ¹	-108,297	-112,370	-111,349	-2.8%	-19,959	-20,409	-21,107	-5.8%	-15,502	-20,393	-16,085	-3.8%
Transfer to or from (-) reserves	4,200	-9,700	-5,500	-230.9%	2,479	-2,653	910	-63.3%	- ¹	- ¹	- ¹	- ¹	1,956	2,008	2,021	3.3%
Total	3,505,500	3,561,100	3,545,100	1.1%	544,927	566,044	588,206	7.9%	162,370	172,899	175,654	8.2%	117,506	118,953	123,777	5.3%

NOTE: Force data did not breakdown expenditure in this area.

Grants and Income includes income and specific grants only it is not a sum of the central government or local funding

Source: Data provided by the Home Affairs Select Committee, 11 April 2011.

2.12 Since 2008-09, budgets for capital expenditure have increased in Greater Manchester Police by £18.5 million (26 per cent) and the Metropolitan Police by around £84.6 million (50 per cent) (Figure 9). Whilst in Gwent and Leicestershire capital funding was reduced by £2.7 million (50 per cent) and £0.5 million (7 per cent) respectively.

Figure 9

Change in capital expenditure budgets 2008-09 to 2010-11

Force	2008-09 (£'000)	2009-10 (£'000)	2010-11 (£'000)	% change 08/09 to 10/11
Greater Manchester	72,029	80,541	90,526	26
Gwent	5,491	3,659	2,756	-50
Leicestershire	7,328	5,509	6,845	-7
Metropolitan	168,743	186,299	253,294	50

Source: Data provided by the Home Affairs Select Committee, 11 April 2011.

Approaches to structured cost reduction

2.13 The reductions in central government funding mean that over the next four years all Police Forces in England and Wales will need to make significant savings. In our review of policing plans for the period 2011-14, we found that whilst all Forces have medium term financial plans that are part of their Policing Plans, the level of detail in terms of which savings are going to be achieved and how they were going to be implemented varied significantly. And some of the value for money statements and financial plans do not delineate between savings which are cashable and those that are not.

2.14 Between 2010-11 and 2013-14, the four Forces will have their funding reduced by a total of around £297 million, Figure 10. The two larger forces will bear the greater reductions, with the Metropolitan Police's funding decreased by around £247 million (nine per cent),¹⁴ Greater Manchester Police's decreased by £45 million, (eight per cent). Leicestershire Police's budget in 2014 will have decreased by £0.6 million (0.3 per cent) and Gwent Police by around £2.9 million (2.4 per cent). However, amongst the four Forces, different assumptions have been made regarding future budget requirements, funding and potential savings for example in the use of Police Authority reserves, making direct comparisons in future difficult.

¹⁴ These reductions are shown as a simple calculation comparing year-on-year projected funding. In real terms these reductions will be greater.

Figure 10

Police force planned budget requirements, funding, funding gaps and proposed savings 2010-11 to 2013-14 (£'000)

Year	Metropolitan Police				Greater Manchester Police				Leicestershire Police				Gwent Police			
	Planned Budget	Projected Funding (% change from 2010-11)	Gap	Planned in-year savings	Planned Budget	Projected Funding (% change from 2010-11)	Gap	Planned in-year savings	Planned Budget	Projected Funding (% change from 2010-11)	Gap	Planned in-year savings	Planned Budget	Projected Funding (% change from 2010-11)	Gap	Planned in-year savings
2010-11	2,673,300	2,673,300	0	186,000	588,200	588,200	0	-	176,800	176,000	800	-	129,648	121,708	7,940	-
2011-12	2,701,100	2,689,191 (0.6%)	11,909	35,000	622,300	570,200 (-3.1%)	52,100	52,100	176,500	169,700 (3.6%)	6,800	-	131,657	117,758 (3.2%)	13,899	4,256
2012-13	2,565,400	2,468,645 (-7.7%)	96,755	41,700	636,600	547,000 (-7.0%)	89,600	37,500	184,200	175,600 (0.2%)	8,600	12,100	138,271	119,433 (1.9%)	18,838	4,496
2013-14	2,604,100	2,425,783 (-9.3%)	178,317	49,600	654,900	542,600 (-7.8%)	112,300	21,400	188,900	175,400 (0.3%)	13,500	-	143,004	118,833 (2.4%)	24,171	4,586

Note: Forces own calculation of projected funding. Developed using different assumptions of future funding.

Source: <http://www.mpa.gov.uk/downloads/committees/mpa/110224-06-appendix01-appendices.pdf>; <http://www.mpa.gov.uk/downloads/publications/plans/businessplan11-12.pdf>; Joint Report of the Chief Constable and Treasurer to the Greater Manchester Police Authority, '2011/12 – 2014/15 Strategic Financial Outlook and Implications for Future Policing Services in Greater Manchester'; Gwent Police Authority, 'Medium Term Revenue Projections 2011/12 to 2014/15'; Leicestershire Constabulary and Police Authority: p.9, 'Leicestershire Policing Plan 2011-14', 'Medium Term Financial Plan Update as at 18 February 2011'

2.15 Police Authority documents identify the projected savings required between 2010-11 and 2013-14, in each of the four case study Forces (Figure 10). The total savings to be made over the four years are: Gwent around £13 million; Greater Manchester £111 million; Leicestershire £12 million; and the Metropolitan Police £312 million. On the basis of these figures, if the savings planned were achieved, the Metropolitan Police would cover its funding shortfall in total over the four year period. Gwent, by comparison, would cover only one-fifth of its funding shortfall.

2.16 There is significant variation in the information provided by each of the four forces on the implementation of the cost reduction programmes and inconsistencies between forces on the quantification of each element of their programme. For example, Gwent Police plan £381,000 savings from regional collaboration, but both Leicestershire Police Authority and Greater Manchester Police only note it as a savings area without quantifying the savings.

Cost reduction programmes across all Police Forces

2.17 Each of the four Forces has taken a different approach to identifying and planning for structured cost reduction within defined areas of expenditure. Our analysis shows that this is reflected in the Police Service as a whole; we found significant variation across the 43 Forces in their approach to cost reduction. There are some common themes around which Forces are aiming to generate both cashable and efficiency savings¹⁵ whilst promoting value for money and maintaining effectiveness. There is however, significant variation in the detail around the implementation of the savings plans and the scale of savings that Forces expect each element to deliver. The common themes our analysis found are:

- a. Improved deployment of officers;
- b. Reductions in overtime spending;
- c. Process improvements and business change activity;
- d. Reductions in bureaucracy;
- e. Adoption of national frameworks for procurement;
- f. National convergence of Information Technology (partly through the Information Systems Improvement Strategy, ISIS);
- g. Reduction in proportion of budget in support services;
- h. Reductions in overhead costs; and
- i. Savings from collaborative working

¹⁵ Cashable savings are defined as savings where resources are removed or expenditure reduced whilst maintaining output; Non-cashable or Efficiency savings are defined as savings where resources or expenditure is reallocated whilst maintaining output.

2.18 Analysis of each of the 40 available 2011-14 Policing Plans that have been published, shows that not all include the above areas in their Value for Money Statements or quantify the savings made in these areas when they are included. Thirteen Police Forces¹⁶ have, however, quantified the projected savings for 2011-12 against these common areas, which total around £107 million (as seen in Figure 11).

2.19 In addition, another seven Forces refer to the above savings themes in their Value for Money statements but do not quantify them and 20 Forces (including the four selected Forces) categorise and quantify the data differently within their Medium Term Financial Plans, and other documents. No savings data or plans could be found in the public domain for three Forces, City of London, Cleveland and Dyfed-Powys. Some Forces noted that they have used the National Policing Improvement Agency cost-effectiveness diagnostic toolkit to identify savings over the Spending Review period. The toolkit aims to provide analysis of the force's people, systems, processes and structures, identifying those functions most likely to yield significant cash savings¹⁷.

Figure 11

Projected 2011-12 savings to be made by 13 forces who have quantified each element

How saving is to be delivered	2011/12 (£ million)
Improved deployment of officers	30
Process improvements	21
Reduction in proportion of budget in support services	13
Reductions in overheads	13
Savings from collaborative working	10
Reductions in bureaucracy	9
Reductions in overtime spending	8
Adoption of National Frameworks for procurement	4
National convergence of IT	4
TOTAL	107
TOTAL budgets for the 13 Forces 2011-12	2448
Savings as a proportion of budget	4.4 %

NOTE: Where savings totals were aggregated across the whole spending review period we have assumed that the savings will be apportioned equally across the four years. Equally where savings were aggregated across areas we have apportioned equally across each area.

¹⁶ Cambridgeshire, Cheshire, Cumbria, Devon and Cornwall, Dorset, Essex, Hertfordshire, North Wales, North Yorkshire, South Yorkshire, Suffolk, Thames Valley and Wiltshire.

¹⁷ National Policing Improvement Agency. 'Business Plan: October 2010 - March 2011' http://www.npia.police.uk/en/docs/Business_Plan_October_2010_-_March_2011.pdf

Manpower reductions

2.20 Given the large proportion of Forces' budgets spent on staff-related expenditure (Para 3.5), reduction in Police Force funding is likely to affect Police Officer and Police staff numbers. Our analysis has shown that only nine forces are currently publicly considering the likely impact that the reductions in funding are likely to have on their Force, or are considering a reduction in staff numbers as part of a quantified cost reduction strategy, Figure 12.

Figure 12

Impact of spending cuts on police officer and staff numbers

Force	Cost Reduction Impact		
	Year	Headcount reduction (FTE)	Cost Reduction Target Where Staff Numbers not Published
Bedfordshire	2011-12	56 Police Officers 29 Police Staff	
Cambridgeshire	2010-11	45 Police Staff	
	2011-12	81 Police Staff	
Cheshire	2011-12	62 Police Officers, 27 Police Staff	
	2011-15	213	£0.87 million Staff
Derbyshire	2010-11	140 Police Staff	
Devon and Cornwall	2011-14	590 Police Officers, 500 Police Staff	
Gloucestershire	2011-12		£1.3 million Staff £4.2 million Officer
Greater Manchester	2011-14	2944 middle and back office	£133.7 million Staff
Merseyside	2011-14	322 Police Officer, 163 Police Staff	
South Wales	2011-12	114 Police Officers, 167 Police staff	

Source: NAO analysis of Police Force and Authority documents.
