



National Audit Office

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## **Report**

by the Comptroller  
and Auditor General

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## **Home Office**

# Financial sustainability of police forces in England and Wales 2018

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Home Office

# Financial sustainability of police forces in England and Wales 2018

Report by the Comptroller and Auditor General

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National Audit Act 1983 for presentation to the House of  
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Sir Amyas Morse KCB  
Comptroller and Auditor General  
National Audit Office

7 September 2018

This report examines the Home Office's progress in managing a clear assurance and oversight system that is effective in identifying risk and financial pressure, uses information on the demand for and cost of police services to inform funding allocations, and supports forces to be financially sustainable by facilitating transformation and enabling forces to make savings.

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## Key facts

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**£12.3bn**

the total police budget  
in 2018-19

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**£8.6bn**

the amount of the  
£12.3 billion police budget  
that is funded by central  
government in 2018-19

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**19%**

real-terms reduction  
in total funding (from  
central government and  
local funding) to police  
and crime commissioners,  
2010-11 to 2018-19

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- 11%** the proportion (of the £8.6 billion) that was allocated to nationally led priorities, such as transformation funding and police technology programmes
- 11% to 25%** range in percentage real-terms funding reduction experienced by police forces between 2010-11 and 2018-19
- 18%** reduction in the size of the total police workforce, including officers, police and community support officers, and other police staff, between March 2010 and March 2018
- 20%** reduction in the amount of money (reserves) set aside by police forces for planned projects or exceptional events between March 2015 and March 2017, following a 49% increase between March 2011 and March 2015
- 33 out of 43** number of police forces that were rated good or outstanding in understanding the demand for their services in 2017, down from 34 out of 43 in 2016

# Summary

**1** There are 43 territorial police forces (forces) in England and Wales. A chief constable heads each force, with authority over all operational policing decisions and staff. Chief constables report to locally elected police and crime commissioners in 40 of the 43 forces.<sup>1</sup>

**2** Police and crime commissioners (commissioners) are responsible for securing and maintaining efficient and effective local policing services.<sup>2</sup> In consultation with their chief constables, they:

- set objectives for their forces in an annual police and crime plan, taking account of the Home Secretary's Strategic Policing Requirement, which outlines current national threats;
- allocate the funds needed to achieve these objectives; and
- hold forces to account on behalf of the public.

**3** The Home Office (the Department) has overall responsibility for forces. Its main responsibilities are to:

- maintain a system of local accountability that assures Parliament that forces spend their resources with regularity and propriety and achieve value for money;
- assess how much funding forces need, decide how much the policing system receives as a whole, and allocate grants to commissioners (who decide how much goes to forces and how much to other initiatives to reduce crime);
- intervene if chief constables or commissioners fail to carry out their functions effectively; and
- identify opportunities for forces to work efficiently, support them to do so, and provide statutory guidance in respect of financial matters.

**4** Within the accountability framework, the Department relies on HM Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) to assess and report on the efficiency and effectiveness of forces in England and Wales. The Department relies on the College of Policing (the College) to set standards and identify and share good practice.

<sup>1</sup> The Metropolitan Police Service, Greater Manchester Police and City of London Police have different arrangements.

<sup>2</sup> The Police Reform and Social Responsibility Act 2011.

**5** Police forces' ability to provide an efficient and effective service is the defining test of their financial sustainability. The Department's role in ensuring that forces are financially sustainable is complex. Local accountability gives commissioners and chief constables greater control over spending decisions, but consequently, the Department has less oversight over forces' financial sustainability and how the funding it has provided is used. We have found the same challenge is faced by other departments with responsibility for local services, for example the Ministry of Housing, Communities & Local Government (MHCLG), which oversees local authorities.

**6** It is nonetheless consistent with the principles of local accountability to assess whether the Department has enough information to make good decisions about the level and nature of funding it provides. While we recognise that the roles of government departments with responsibility for local services vary depending on the system through which those services are delivered, the Department should be in a position where it can get assurance that forces are not at risk of becoming financially unsustainable.

## **Our report**

**7** We reported on the financial sustainability of police forces in June 2015.<sup>3</sup> We concluded that there were significant gaps in the Department's understanding of demand and of pressures on the service, and it needed to be better informed to discharge its duties of overseeing the police and distributing funding. At the time of our report, forces did not have an evidence-based understanding of demand, or what affected their costs, and so it was difficult for forces to provide services that met the needs of communities or to demonstrate how much resource they needed to deliver them.

**8** The recommendations made by the Committee of Public Accounts in its subsequent report, published in September 2015, were intended to address what the chair of the Committee described as a significant failure by the Department to provide commissioners and senior officers with the tools they need to run their forces.<sup>4</sup> This report follows up our 2015 report. It examines the Department's progress in managing a clear assurance and oversight system that:

- is effective in identifying risk and financial pressure;
- uses information on the demand for and cost of police services to inform its funding allocations; and
- supports forces to be financially sustainable by facilitating transformation and enabling forces to make savings.

This report does not look in detail at the activities of police forces or police and crime commissioners.

<sup>3</sup> Comptroller and Auditor General, *Financial sustainability of police forces in England and Wales*, Session 2015-16, HC 78, National Audit Office, June 2015.

<sup>4</sup> HC Committee of Public Accounts, *Financial sustainability of police forces in England and Wales*, First Report of Session 2015-16, HC 288, September 2015.



- Part One sets out the financial and non-financial pressures that forces have faced since 2010-11 and examines how they have responded;
- Part Two examines the effectiveness of the system for securing financial sustainability; and
- Part Three assesses the support provided by the Department to forces to help them achieve financial sustainability.

## Key findings

### Funding pressures

**9 Central government funding to commissioners has fallen by 30% in real terms since 2010-11.** Commissioners received £7.7 billion of funding from central government in 2018-19, 30% less than they received in 2010-11 in real terms. Commissioners also received £3.6 billion from council tax contributions in 2018-19. In total, commissioners received 19% less funding from central and local sources in 2018-19 than they received in 2010-11, in real terms. In 2018-19, the Department allowed commissioners to raise council tax contributions so that their total funding was, as a minimum, the same as it was in 2017-18 in real terms. This increased funding by £280 million. Commissioners allocate the majority of their funding to police forces (paragraphs 1.2, 1.3, 1.5, 1.6, 1.11, Figure 1, Figure 3).

**10 Police forces' experience of funding reductions varies and the forces that most rely on government funding have experienced the greatest cuts.** In 2018-19, the proportion of commissioners' funding coming from central government ranged from 43% to 81%. The forces most affected by funding reductions are those whose commissioners have a higher proportion of total funding coming from central government and a lower proportion of local funding, predominantly from council tax contributions. In 2018-19, the proportion of local funding varied between forces, from 57% in Surrey to 19% in Northumbria. Taking into account changes in central and local government funding since 2010-11, forces' total funding cuts vary between 11% and 25% (paragraphs 1.3, 1.7, 1.11, Figure 2, Figure 3).

**11 The formula for funding police forces does not take into account the full range of demands on police time.** The Department's approach to funding police forces through police and crime commissioners is to use the police funding formula to calculate how much money each force receives from central government funds. The formula does not consider the full range of demands on police time, the efficiency of forces, levels of financial reserves, or the proportion of funding that forces receive from central government relative to local funding. Furthermore, since 2010 funding has been reduced by an equal percentage for all forces, regardless of the outcome of the formula. The Department consulted with the sector and started to review its funding approach, but it stopped this work in March 2017 at the time of the general election. In December 2017, the Department stated that it would revisit plans to change the funding formula at the time of the next Spending Review. Any changes made as a result of this work will not be implemented until 2020-21 at the earliest (paragraphs 1.8 to 1.10).

## Service stress

**12 While no police force has failed financially, there are signs emerging that forces are finding it harder to deliver an effective service.** As with local government, legal requirements prevent commissioners and forces from running deficits. Given this, the Department recognises that any problems caused by funding reductions are likely to manifest themselves in a force being unable to provide an adequate policing service rather than in financial failure. For example, the time it took to charge an offence increased from 14 days for the year ending March 2016, to 18 days for the year ending March 2018. In November 2017, the Department concluded in an internal report that forces were facing increased pressure in meeting the demand for police services. The Department attributed some of the growing pressure to the increased threat of terrorism, and to an increase in reporting of low-volume and high-harm crime, such as sexual offences, which are more costly to investigate (paragraphs 1.27 to 1.29, 2.7).

## Financial sustainability

**13 Forces reduced the amount of money (reserves) set aside for specific costs or exceptional events by 20% between March 2015 and March 2017 after growing their reserves in previous years.** Commissioners have a legal duty to ensure that forces have adequate reserves. Financial reserves increased by 49% between March 2011 and March 2015, and we said in our 2015 report that this was not necessarily a sign of financial health. Forces have since reduced their reserves from a peak of 19% of net revenue expenditure (£2.1 billion) in March 2015, to 15% of net revenue expenditure (£1.7 billion) in March 2017. By comparison, local authorities held significantly more in reserve in March 2017 (40% of net revenue expenditure). The Department does not know what level of reserves forces need to be financially sustainable, or if a reduction in reserves overall reflects budget pressures. The Department is working with commissioners to understand what levels of reserves are appropriate (paragraphs 1.15 to 1.17, Figures 6 and 7).

**14 Forces reduced the total size of their workforce by 18% between March 2010 and March 2018 and the impact of this is unknown.** Forces reduced their police officer workforce by 15% between March 2010 and March 2018. Over the same period, numbers of police community support officers fell by 40% and the number of other police staff reduced by 21%. It is not clear what impact a reduced workforce will have on the ability of forces to meet increasing demand for police services (paragraphs 1.13, 1.14 and Figure 5).

## System for ensuring police forces' financial sustainability

**15 The Department's 'light touch' approach means forces' financial sustainability has not received proper attention.** The Department is not clear in its accountability system statement how it gets assurance that the policing system is working, what information it uses to monitor forces' financial health, and how it will respond to forces' financial or service failure. This contrasts with the clear statement of MHCLG on how the accounting officer gets assurance and information on the financial sustainability and effectiveness of local authorities, which like police forces, are run by locally elected bodies. The Department expects commissioners to be accountable to their electorate for ensuring that the policing needs of local communities are met efficiently and effectively. Forces are subject to independent inspection by HMICFRS, but the Department recognises there are limitations to these inspections in terms of identifying risks to forces' financial sustainability (paragraphs 2.1 to 2.6, 2.10).

**16 The Department does not use data systematically to get assurance of the financial sustainability of the sector.** It uses information systems designed for different purposes (for example, HMICFRS inspections), or bespoke analysis commissioned for specific events to make an assessment of the financial health of the sector. For example, it assessed forces' financial resilience to inform decisions about 2018-19 funding. This assessment was not designed to monitor forces' financial sustainability or the risk of financial or service failure, and there are areas that could be strengthened. Without systematic monitoring, there is a risk that any deterioration in forces' resilience might not be spotted soon enough. Understanding the scale of financial risk and where it lies is important, as intervention after a failure is likely to be more costly than preventing the failure in the first place. The Department could learn from MHCLG, which has improved its oversight of local authorities' financial sustainability by collecting and analysing data regularly (paragraphs 2.10 to 2.12).

**17 There are no common standards for measuring all demands for police services and their costs, and therefore no national picture of what forces need.** A full understanding of the nature of demand for police services, including demand for services not related to crime, is important because this affects the resources and skills required by forces. Without an understanding of the demand for police services, it is difficult for forces to determine what skills and resources they require. We reported in 2015 that HMICFRS was developing 'force management statements' to improve forces' understanding of their business. These statements will require each force to publish data on a range of management and performance information each year, including on demand for police services. By June 2018, all forces had produced a force management statement for the first time but there was wide variation in how data on demand for police services were captured. HMICFRS plans to improve the consistency of how demand for police services is measured in future statements (paragraphs 2.13 to 2.15).

## Supporting forces to achieve financial sustainability

**18 The Department has no overarching strategy for policing, limiting its ability to plan investments and programmes of work over the longer term.** The police sector has set its own strategic direction, *Policing Vision 2025*, under five main strands: local policing; specialist capabilities; workforce; digital policing; and business delivery. The Department supports forces to achieve this vision through funding and work to improve forces' capabilities in these five areas. However, the absence of an overarching Departmental strategy for policing limits its ability to plan investments and programmes of work over the longer term. Furthermore, its approach to approving funding for commissioners and transformation annually means that commissioners and forces are, in turn, limited in their ability to be strategic in how they plan and implement work (paragraphs 3.2 to 3.5, 3.8, 3.11).

**19 The Department has devolved responsibility for police service transformation to a board which has limited resources and no powers.** The Police Reform and Transformation Board (PRTB) is a voluntary association of its members, which include the National Police Chiefs Council (NPCC), the Association of Police and Crime Commissioners (APCC) and other national bodies, including the Department. Its purpose is to oversee and support the reform of policing. Members of the PRTB are working to achieve the vision set by the police through specific projects, such as developing forces' specialist capabilities. The PRTB has had some success in encouraging forces to sign up to its programmes. However, its role as a national coordinator of the transformation of police services is limited as it has no budget, formal powers or levers to make transformational change happen across all forces (paragraphs 3.6 and 3.7, Figure 8).

**20 Delays approving transformation funding by the Department, and poor performance by forces in meeting funding requirements, is limiting forces' ability to make improvements and transform services.** In May 2016, the Department replaced its Police Innovation Fund (PIF), which started in 2013, with the Police Transformation Fund (PTF). In 2018-19, forces could bid for a share of £175 million from the PTF. Forces have told us that the Department's approval process for the PTF is lengthy and has not provided timely funding, making it difficult for forces to establish projects and spend budgets as planned. The Department struggled at times to get timely ministerial approval for releasing funding. Other delays occurred because forces did not submit enough information to support their bid for funding. Furthermore, some forces did not comply with the Department's evaluation and monitoring requirements, making it harder to evaluate the extent of transformation (paragraphs 3.8 to 3.11).

**21 Delays to the introduction of the Department-led programme to change the communications system used by forces has placed additional costs on forces.** The Department plans to spend £1.3 billion on work to replace old IT systems used by forces between 2015-16 and 2019-20. It expects as much as 80% of the savings from this work to come from the introduction of the Emergency Services Network (ESN) communications system. By June 2018, this programme was at least 15 months behind schedule and the Department needed to continue spending £330 million a year from the total police budget to run the old Airwave system for longer than expected. Forces we visited told us that they are having to make significant investments to extend the life of their Airwave equipment while they wait for the ESN system to become available (paragraphs 3.12 and 3.13).

## Conclusion on value for money

**22** The Home Office's light touch approach to overseeing police forces means it does not know if the police system is financially sustainable. It lacks a long-term plan for policing and significant gaps remain in its understanding of demand for police services and their costs. The way the Department chooses to distribute funding has been ineffective and detached from the changing nature of policing for too long, and it cannot be sure overall funding is being directed to the right places. With plans to reform the funding formula on hold, and no systematic approach to ensuring forces are financially sustainable, we cannot conclude that the Home Office's oversight of the police system is value for money.

## Recommendations

- a** **The Department should make clear all of the accountability relationships and processes for policing, setting out who is accountable for what at all levels of the system.** For example, it should explain how it works with HM Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) to gain assurance that the police system is financially sustainable and it should make this clear in its accounting officer system statement.
- b** **The Department should develop a clearer ongoing understanding of whether police forces' funding is sufficient to support them to deliver an efficient and effective police service.** The Department continues to have a role in securing financial and service sustainability. It can discharge this role more effectively by working to improve the quality of data on demand for police services, and by making better and fuller use of existing information. Working with partners in the police system, the Department should:
  - **select the right data and systematically review it to monitor for emerging signs of financial stress**, for example, reviewing capital spending alongside other indicators of financial pressure such as the level of reserves; and
  - **use existing data more intensively** to monitor for emerging signs of financial stress, which could indicate that certain types of police activity or forces are at greater financial risk. The Department could learn from the Ministry of Housing, Communities & Local Government (MHCLG), which has improved its oversight of local authorities' financial sustainability through regular data collection and analysis.

- c The Department should review the funding formula and adopt an approach to funding that takes account of forces' local circumstances more fairly.** It could consider, for example, the proportion of funding that commissioners receive from local taxation, levels of demand, the relative efficiency of forces, and levels of financial resilience.
- d The Department should develop an overall strategy for policing that includes clear thinking on how its support programmes, such as the Police Transformation Fund (PTF), contribute to forces' financial position.** A strategy for policing should provide:
- a long-term view setting out clear goals for policing;
  - longer-term certainty on police funding, for example, when to use multi-year settlements, and certainty about the availability of funding for transformation work, for ongoing work or new programmes of work; and
  - clarity about the Department's programme of projects and how these support its overall strategy, for example, clearly defined outcomes and benefits for the PTF.
- e When developing an overall strategy for policing, the Department should identify which of its policies and programmes are best delivered locally and which are best delivered nationally and assign them to bodies with the capability to fulfil them.** This includes:
- establishing when the Department is best placed to deliver programmes; and
  - ensuring that the Association of Police and Crime Commissioners (APCC), National Police Chiefs Council (NPCC) and the Police Reform and Transformation Board (PRTB) have the necessary resources and powers to succeed in their leadership roles.

# Part One

## Challenges to the financial sustainability of police forces

**1.1** Since 2010-11, police forces (forces) have faced a range of challenges to their financial sustainability. This part of the report sets out:

- the funding of forces over time;
- forces' response to financial pressure;
- the changing nature of crime, and other demands for police services; and
- our assessment of forces' ability to deliver effective police services.

### **Police force funding**

**1.2** Police and crime commissioners receive funding annually from:

- central government;
- local government, predominantly through council tax contributions from the policing precepts;<sup>5</sup> and
- income from activities such as policing major sporting events.

Commissioners distribute funding, mainly to police forces and sometimes to other organisations, to meet the objectives set in their police and crime plans. In 2018-19, the Home Office (the Department) estimated that total police funding will be £12.3 billion. Commissioners received £11.3 billion from a combination of funding from central and local government.

<sup>5</sup> The amount of money taken out of council tax for policing.

## Central government funding

**1.3** In 2018-19, central government funded £8.6 billion of the £12.3 billion total police funding.<sup>6</sup> Of this £8.6 billion:

- £7.7 billion went directly to commissioners to distribute to forces in line with local priorities and objectives;<sup>7</sup> and
- £945 million was 'reallocated' from funding for commissioners to be spent on national priorities. For instance, the Department planned to spend £495 million on police technology programmes, £175 million on a Police Transformation Fund (PTF), and £93 million on a Special Grant to cover high cost, unexpected events which could threaten the financial sustainability of individual forces. Forces could apply to receive some of the reallocated amounts, for instance through the PTF and Special Grant. In 2018-19, the proportion reallocated from funding for forces to fund national priorities was 11% (£945 million), up from 10% (£812 million) in 2017-18.

**1.4** In addition to the £12.3 billion total police budget, the Department plans to spend a further £728 million on counter-terrorism in 2018-19. The Department allocates this to individual forces in addition to the funding set out above. The exact amounts that go to each force are not disclosed for security reasons.

**1.5** **Figure 1** shows that central government has maintained its overall budget for policing in real terms since 2015-16, but an increasing proportion each year has been reallocated to fund national priorities, including counter-terrorism. Central government's direct funding for commissioners, which excludes counter-terrorism and the amounts that are reallocated for national priorities, reduced by 30% between 2010-11 and 2018-19 in real terms.

6 Central government funding includes funding from the Home Office, Welsh Government, and the Ministry of Housing, Communities & Local Government.

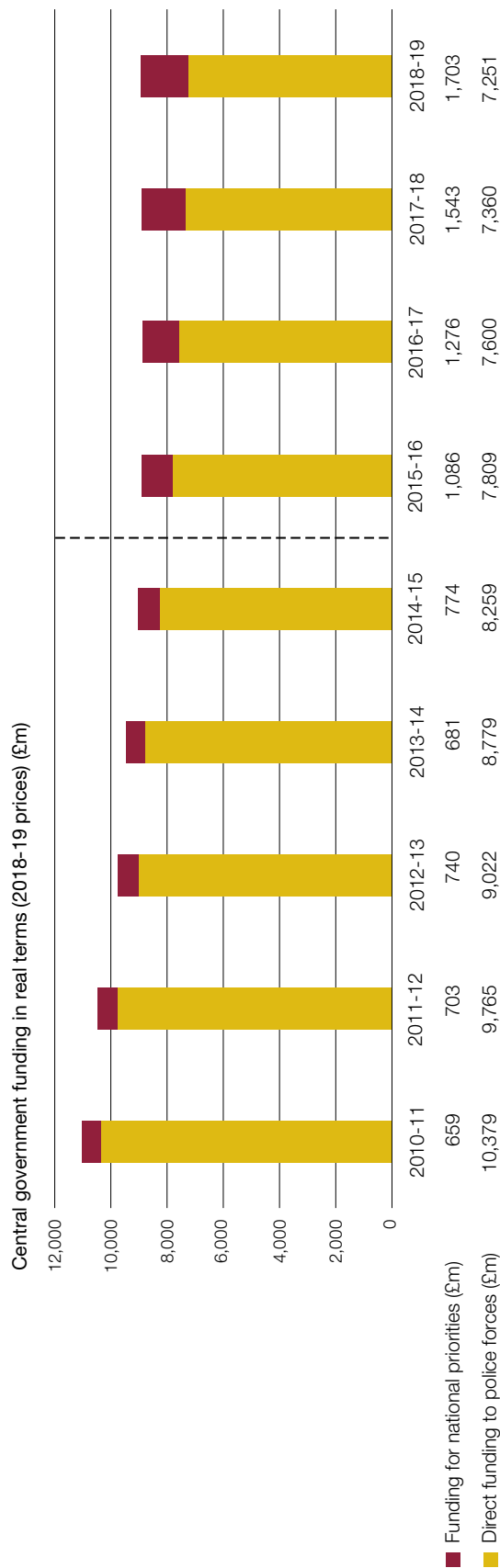
7 This included the local council tax support grant which was £434 million in 2018-19. This grant was introduced in 2013-14 to compensate police forces for a reduction in council tax contributions following legislative changes.



**Figure 1**

Central government revenue funding for the police, 2010-11 to 2018-19

Central government funding has not fallen since 2015-16 in real terms, but increasing amounts have been used to fund national priorities



**Notes**

- 1 Figures are in real terms inflated to 2018-19 prices, using the Office for National Statistics Quarterly National Accounts Gross Domestic Product deflators at market prices, March 2018.
- 2 The Department made adjustments to the funding data in 2015-16, which means figures from 2010-11 to 2014-15 are not directly comparable with later years.
- 3 Excludes funding from the local council tax support grant for ease of comparison between years. This is a central government grant which was introduced in 2013-14 to compensate commissioners for a drop in precept funding due to a change in council tax legislation, and totalled £434 million in 2018-19.
- 4 Funding for national priorities includes specific grants forces can apply for such as the Police Transformation Fund and special grants for unexpected high-cost events. It also includes counter-terrorism funding, which was £728 million in 2018-19 and is allocated to individual forces.

Source: National Audit Office analysis of Home Office data

## Council tax funding

**1.6** In 2018-19, commissioners received £3.6 billion from council tax contributions. Each year, commissioners can raise their local council tax precept by a fixed percentage or amount as decided by government. In 2018-19, the government allowed commissioners to raise annual council tax precept contributions by £12 per household. This increased total funding by £280 million. Since 2013-14, the Department's local council tax support grant has compensated forces for a reduction in council tax contributions following legislative changes. In 2018-19, the local council tax support grant was £434 million. Local funding, including council tax contributions and the local council tax support grant, was 36% of forces' total funding in 2018-19, up from 35% in 2017-18. In 2010-11, local funding was 26% of forces' total funding.

**1.7** Local funding varies across the country. This is because of differences in local and national decisions about council tax levels, and variation in the value and number of properties affecting the total amount of council tax that can be collected. **Figure 2** on pages 17 and 18 shows that, in 2018-19, the force that received the least local funding, which included funding from council tax contributions and the local council tax support grant, as a proportion of its total funding was Northumbria (19% local funding, compared with 81% from central government). Surrey received the most local funding as a proportion of its total funding (57% local funding, compared with 43% from central government).

## How central government funding is distributed

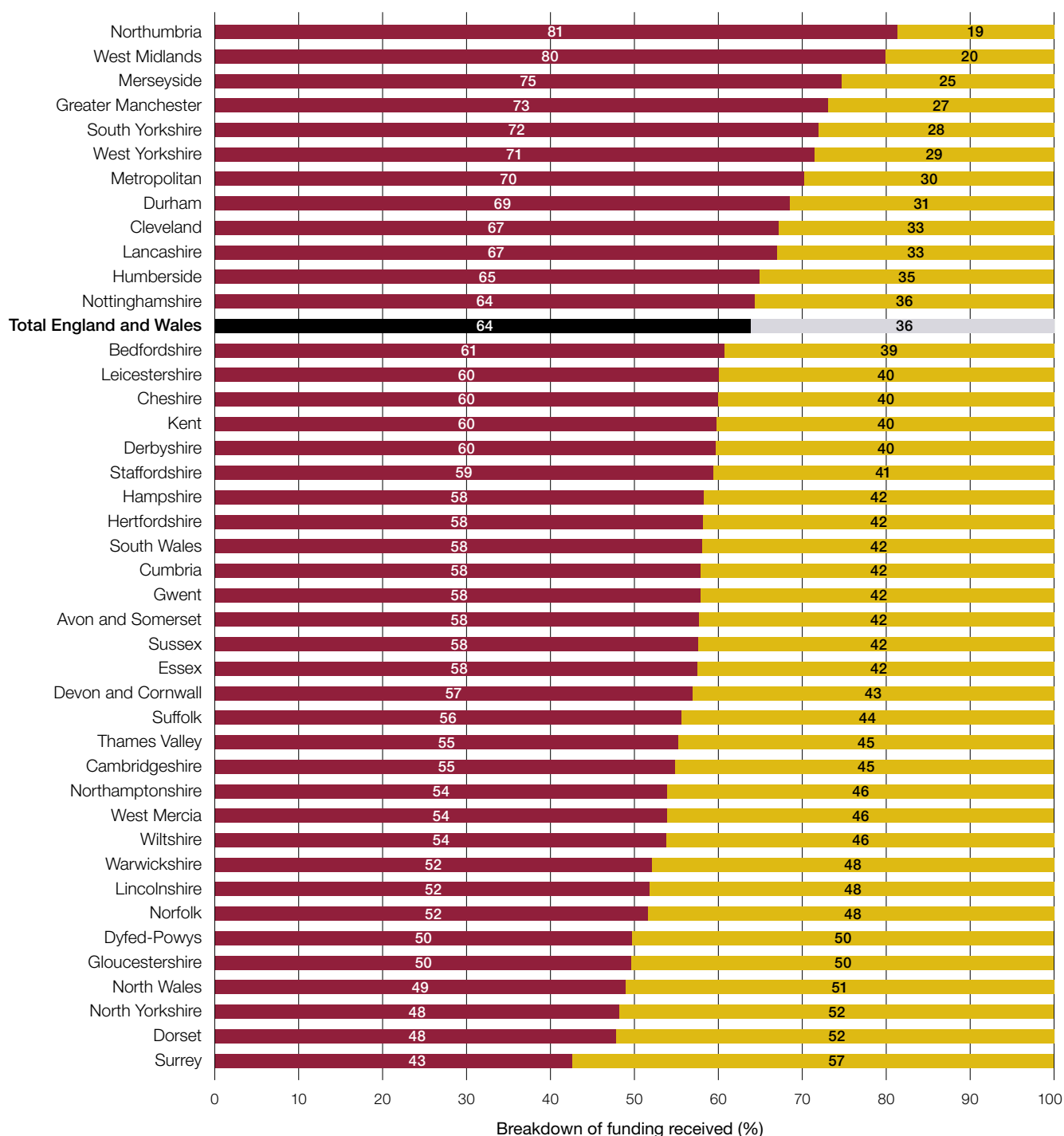
**1.8** The Department's approach to funding forces through police and crime commissioners is to use the police funding formula to calculate how much money each force receives from central government's overall funds. In 2015, the Committee of Public Accounts concluded that the formula did not consider the full range of demands on police time, the efficiency of forces, levels of financial reserves held, or the proportion of funding that forces receive from central government relative to local funding, which included funding from council tax contributions and the local council tax support grant. Furthermore, since 2010 funding has been subject to a process known as 'damping', whereby an equal percentage reduction has been applied to all forces, regardless of the outcome of the formula. In July 2015, the Department's accounting officer told the Committee of Public Accounts that the funding formula was ineffective and detached from the real demands on policing.

**1.9** The Department started work to reform the funding formula following a recommendation from the Committee of Public Accounts that it should introduce a new formula in 2016-17. It convened a senior stakeholder group, consulted with forces, estimated the cost of dealing with different crimes and analysed the different local pressures affecting forces. However, the Department stopped this work in March 2017 because of the general election.

**Figure 2**

Central government funding versus local funding by police force in 2018-19

Some forces are far more dependent on central government funding than others



■ Central government funding (excluding local council tax support grant)  
 ■ Local funding (council tax contributions and local council tax support grant)

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**Figure 2** *continued*

Central government funding versus local funding by police force in 2018-19

**Notes**

- 1 Central government funding figures exclude counter-terrorism funding and funding reallocated to national priorities, such as the Police Transformation Fund and special grants.
- 2 City of London Police is excluded from this figure because data is not available.
- 3 Forces also receive small amounts of funding from other central government sources including the Ministry of Justice. These amounts are excluded from this figure, which shows central government funding from the Home Office, Welsh Government, and the Ministry of Housing, Communities & Local Government.
- 4 Proportions for individual forces may vary slightly due to rounding.

Source: National Audit Office analysis of Home Office data

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**1.10** In December 2017, the Department stated that it would revisit plans to change the funding formula at the time of the next Spending Review. Any changes made as a result of this work will not be implemented until 2020-21 at the earliest. This means that the Department will have allocated funding in a way that does not match funding with need for five years since we and the Committee of Public Accounts recommended changes.

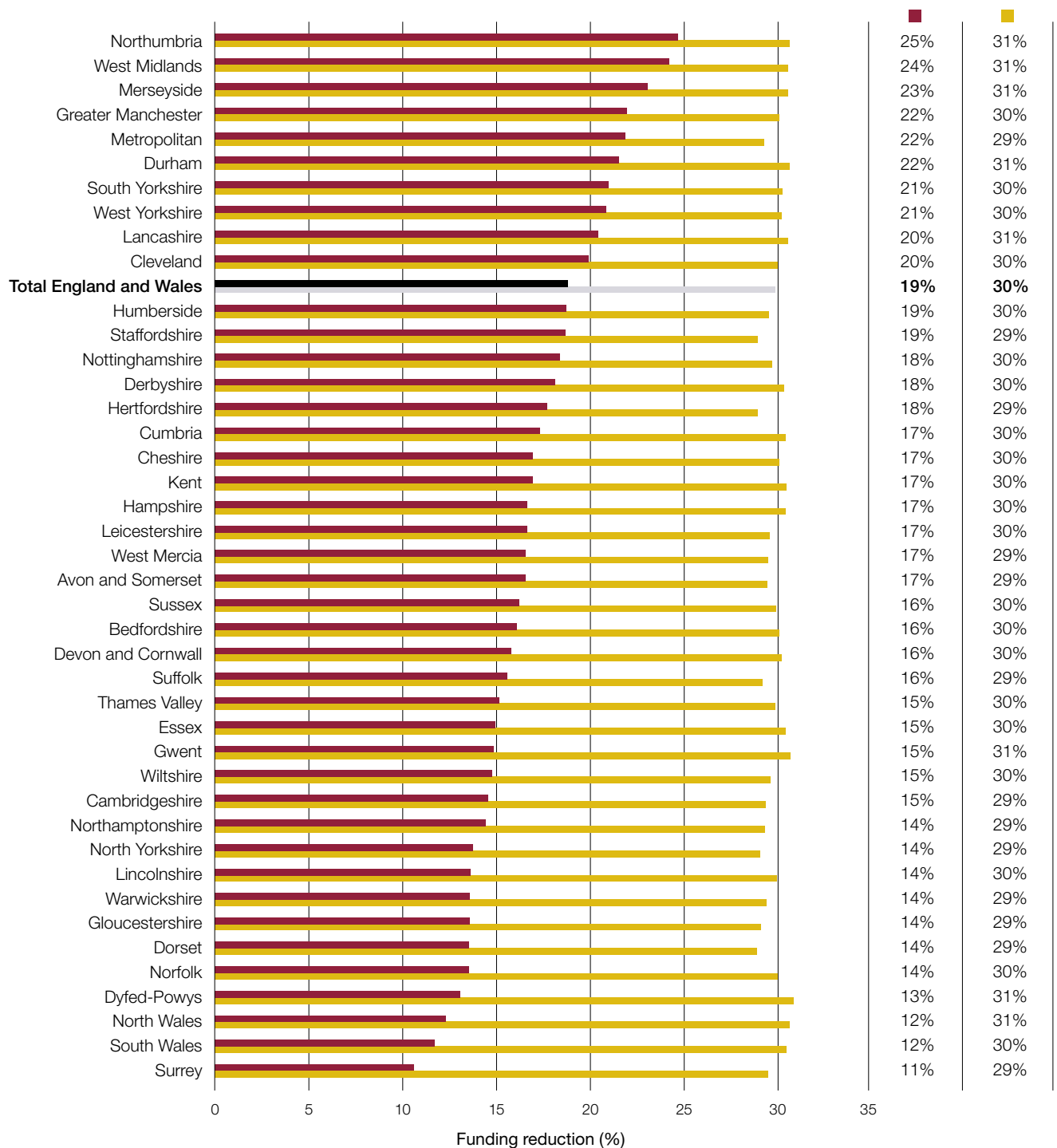
### Funding variation

#### **Reductions in funding**

**1.11** The variation in funding that commissioners receive from council tax contributions and the local council tax support grant means that some depend more on central government funding than others. Forces whose commissioners are most dependent on central government funding are more likely to be affected by the totality of funding changes, since reductions make up a larger share of their budget. **Figure 3** on pages 19 and 20 shows that between 2010-11 and 2018-19, the total reduction in funding experienced by forces, when central and local government funding were combined, was 19% in real terms. Total funding reductions ranged from 25% in Northumbria to 11% in Surrey over the same period.

**Figure 3**  
Funding reductions by police force, 2010-11 to 2018-19

Police funding fell by 19% in real terms, with wide variation between forces in the level of cuts experienced



■ Total funding reduction (central government funding, council tax contributions and local council tax support grant)  
 ■ Central government funding reduction (excluding local council tax support grant)

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**Figure 3** *continued*

## Funding reductions by police force, 2010-11 to 2018-19

**Notes**

- 1 Figures are in real terms inflated to 2018-19 prices, using the Office of National Statistics Quarterly National Accounts Gross Domestic Product deflators at market prices, March 2018.
- 2 Excludes funding for counter-terrorism, private finance initiative grants and police innovation and transformation funding, as well as other reallocated funds.
- 3 City of London Police is excluded from this figure, because data is not available.
- 4 Funding from council tax contributions excludes distribution of the previous year's council tax surplus.

Source: National Audit Office analysis of Home Office data

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**Wider pressures**

**1.12** Police income from providing services to other public sector bodies fell by 48% from £179 million in 2010-11 to £92 million in 2016-17. Such income can contribute to local priorities including preventative work with young people, additional patrolling of town and city centres, and work to deal with traffic law infringements. **Figure 4** shows that partnership income, largely from other public bodies and third sector organisations, reduced by 52%, from £217 million in 2010-11 to £103 million in 2016-17. These two types of income are relatively small compared with forces' overall funding, equivalent to 1.6% of the funding they received from central and local government in 2016-17.

**Police forces' management of financial pressure**

## Making savings through reducing the size of the workforce

**1.13** The main way that police forces have managed financial pressure is by reducing the size of their workforces. Forces reduced the total size of their workforce by 18% from a peak of 244,497 staff in March 2010 to 199,752 staff in March 2018. **Figure 5** on page 22 shows there was:

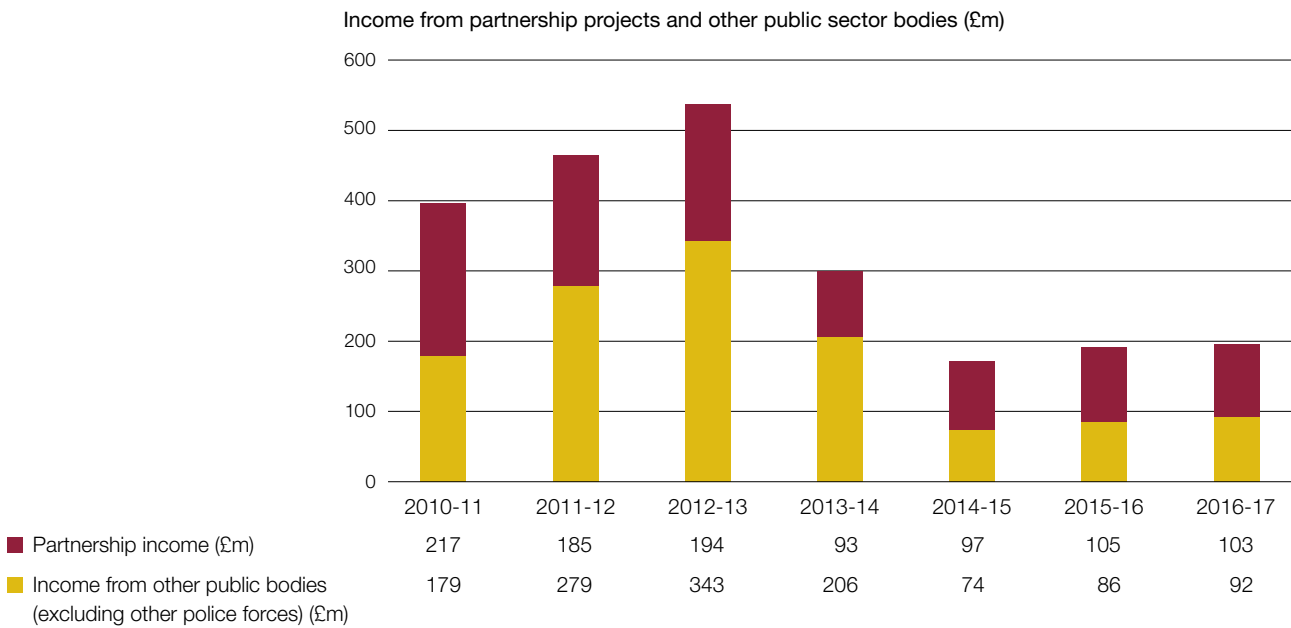
- a 40% fall in the number of police community support officers (10,139, down from 16,918);
- a 21% fall in the number of police staff (62,820, down from 79,596); and
- a 15% fall in the number of police officers (122,404, down from 143,734).

Forces' workforce reductions varied; 12 forces reduced their officer numbers by more than 20%, and one force increased officer numbers by 6%.

**Figure 4**

Forces' income from partnership projects and other public sector bodies, 2010-11 to 2016-17

Forces' income has reduced in recent years

**Notes**

- 1 Figures are not adjusted for inflation.
- 2 Figures for 2011-12 and 2012-13 may be affected by the London 2012 Olympic and Paralympic Games.

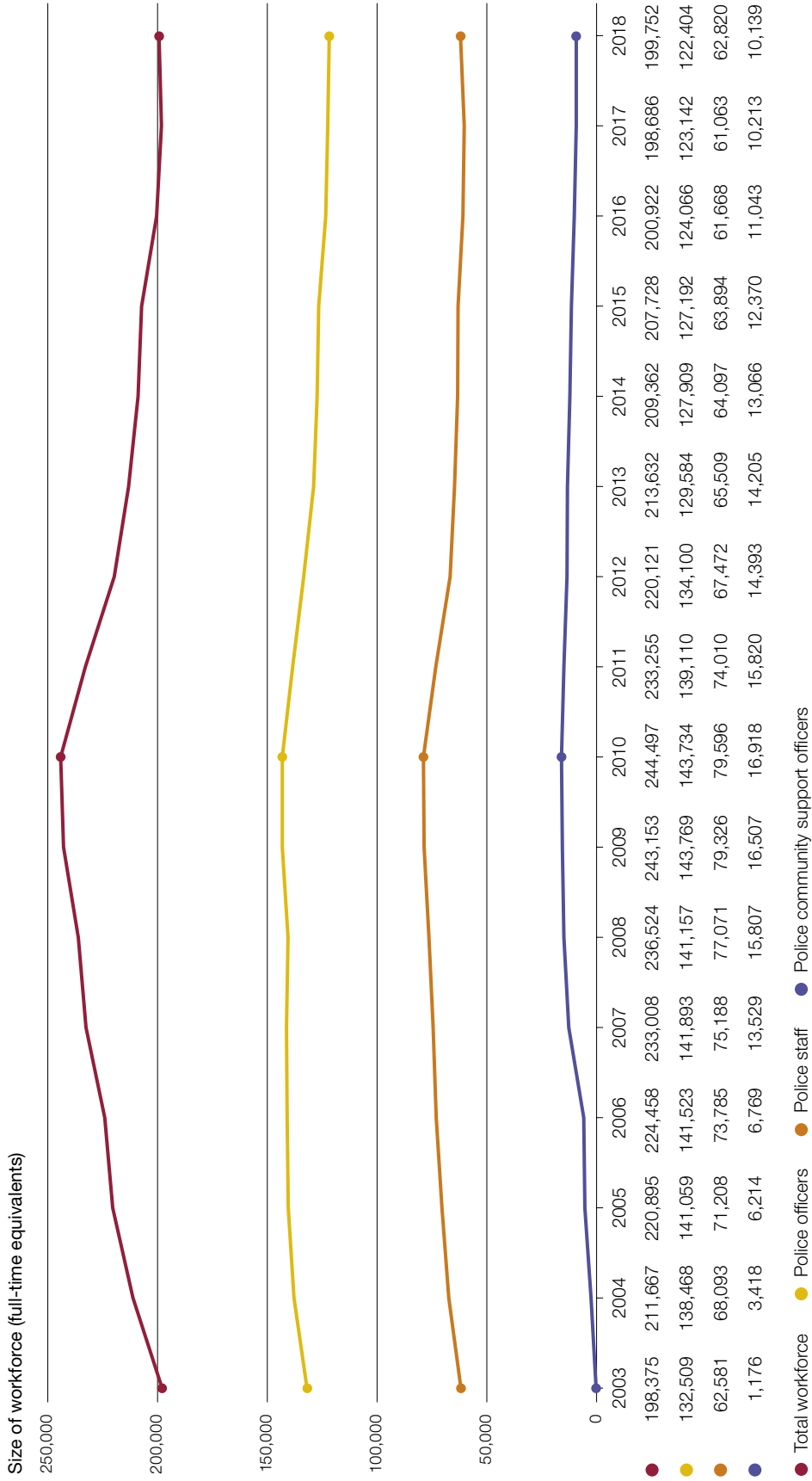
Source: Chartered Institute of Public Finance and Accountancy (CIPFA) Police Actuals Statistics

**1.14** In 2010-11, staff costs made up 82% of police spending, but this had reduced to 77% by 2016-17. Forces switched some of their spending on workforce to making third-party payments for collaborative working, to private contractors and for services provided by others. Forces' spending on third-party payments was 5% in 2016-17, up from 1% in 2010-11. It is not clear what effect these changing spending patterns will have on forces' ability to meet demand for their services.

**Figure 5**

**Police workforce changes in England and Wales**

The size of the total police workforce peaked in March 2010, but had reduced by 18% by March 2018



**Notes**

- 1 Workforce data reflect the position in March each year.
- 2 Total workforce includes police traffic wardens and designated officers, in addition to police officers, police staff and police community support officers.
- 3 Excludes special constables, British Transport Police and central secondments.

Source: Home Office, *Police Workforce, England and Wales, 31 March 2018, Statistical Bulletin 11/18*, 19 July 2018



## Reserves

**1.15** Commissioners and forces are required by the Local Government Finance Act 1992 to set a balanced budget. To ensure that these budgets reflect both spending priorities and provide contingency for unexpected costs, commissioners should consult with chief constables and set a budget that includes an appropriate level of reserves. Commissioners hold reserves for forces in two main forms:

- general reserves, including working balances to manage cash flows and funds to protect budgets against financial uncertainty; and
- earmarked reserves, which are held for a specific purpose or project.

**1.16** Financial reserves across all forces increased by 49% between March 2011 and March 2015. We cautioned in 2015 that an increase in reserves was not necessarily a sign of financial health. Forces reduced their general and earmarked reserves by 20% between March 2015 and March 2017. Our analysis shows that:

- general and earmarked reserves fell from a peak of 19% of net revenue expenditure (£2.1 billion) in March 2015 to 15% of net revenue expenditure (£1.7 billion) in March 2017 (**Figure 6** overleaf);
- in 2016-17, 62% of forces drew down on reserves, and 83% used them in 2015-16 (**Figure 7** on page 25); and
- the amount of reserves forces hold varied significantly in March 2017, from 6% of net revenue expenditure in Northumbria to 43% of net revenue expenditure in Gwent.

**1.17** We draw on a comparison with local authorities, which also cannot run deficits, to better understand forces' reserves position. Local authorities have also reduced their reserves, but on the whole they hold significantly more in reserve than forces (40% of net revenue expenditure in March 2017).<sup>8</sup> The Department does not know if forces' reduction of their reserves since 2015 reflects budget pressures reaching the point at which forces are using reserves to maintain spending, or if forces are using reserves for specific planned projects. It also does not know what level of reserves is sufficient to ensure forces' financial sustainability. The forces we spoke to told us they had used reserves to:

- fill gaps in their budgets caused by funding reductions;
- pay for capital projects that would previously have been funded through Departmental grants; and
- fund transformational projects.

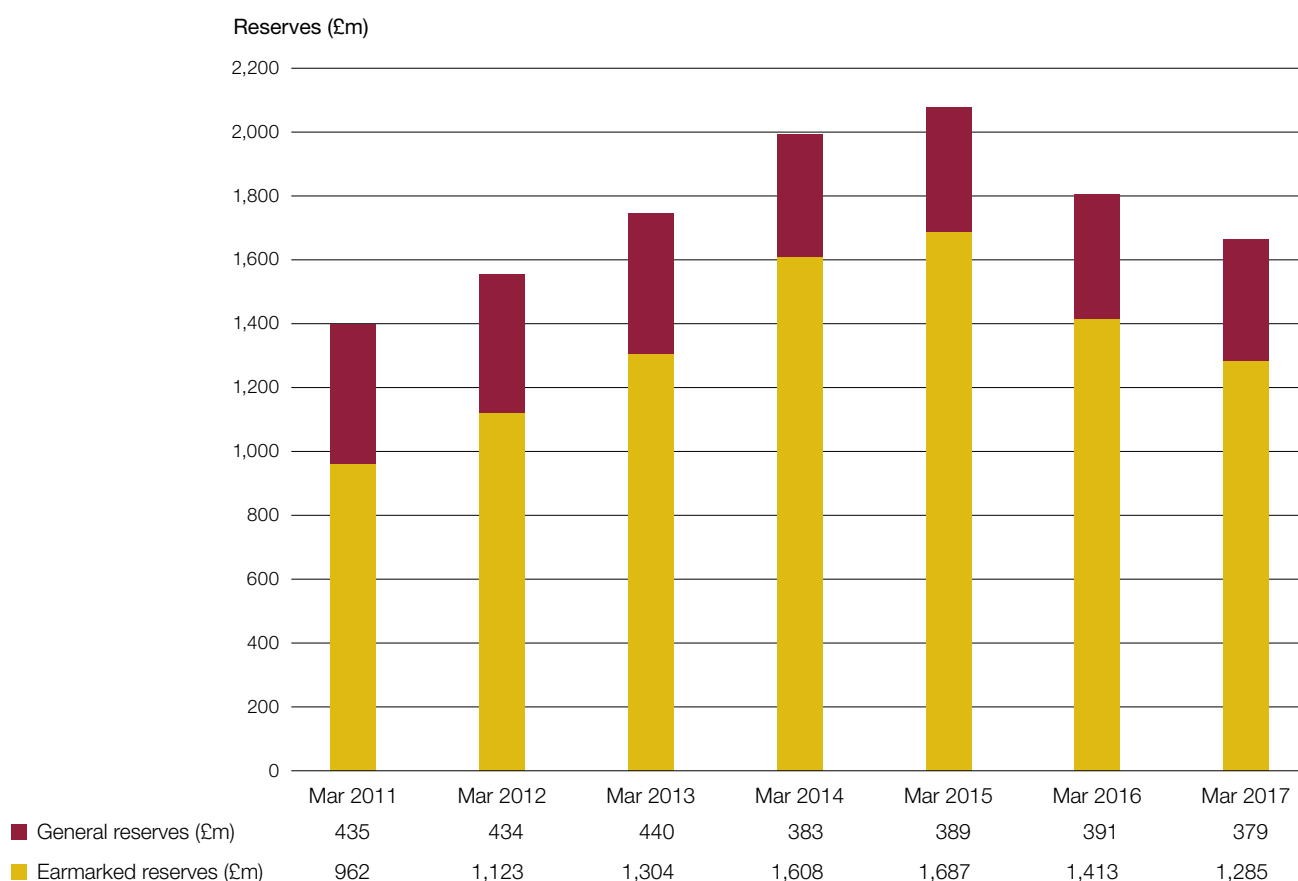
In January 2018, the Department issued guidance to commissioners that they should publish a reserves strategy that sets out how levels of reserves are set and what purpose they are being held for. The Department told us this will help it to better understand the reserves position of forces.

<sup>8</sup> Comptroller and Auditor General, *Financial sustainability of local authorities 2018*, Session 2017–2019, HC 834, National Audit Office, March 2018.

**Figure 6**

Earmarked and general reserves for police forces in England and Wales, March 2011 to March 2017

Reserves peaked in March 2015 and have since started to fall

**Notes**

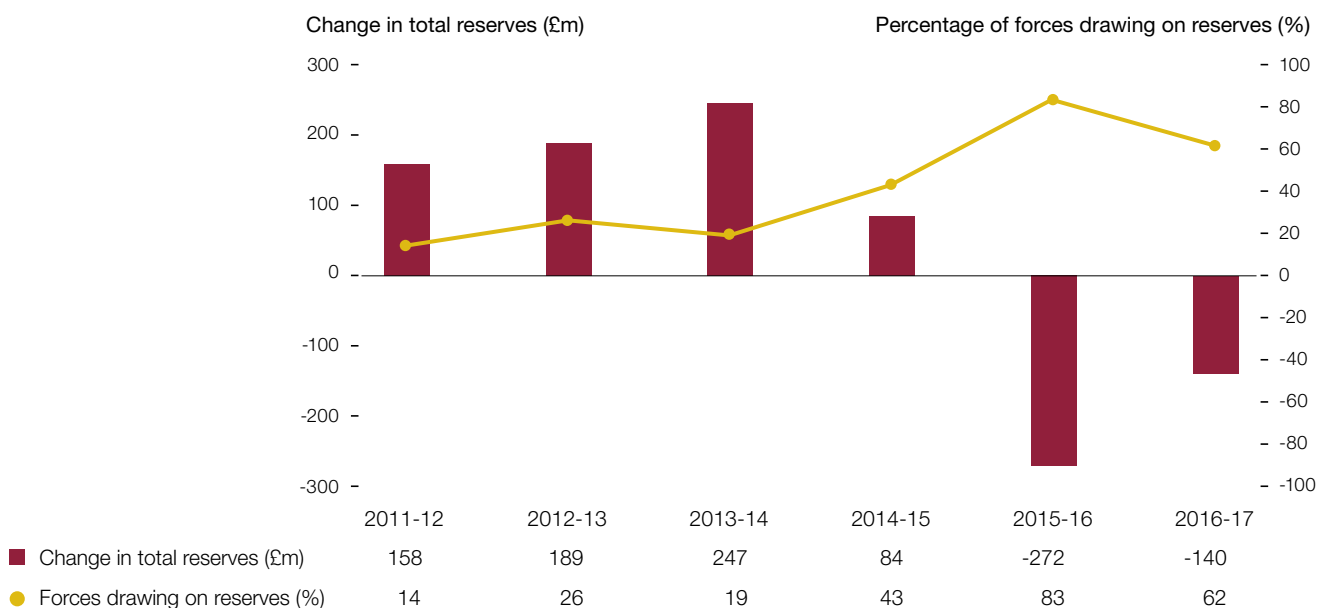
- 1 Figure shows general reserves and earmarked reserves. Excludes capital reserves.
- 2 Excludes City of London Police, as data is not available.

Source: Home Office data on police financial reserves, January 2018

**Figure 7**

## Police forces' use of reserves from 2011-12 to 2016-17

Many police forces have changed their approach to using reserves, drawing on reserves in 2015-16 and 2016-17 when they had not done previously

**Notes**

- 1 Figure shows total resource reserves, including general and earmarked reserves. Excludes capital reserves.
- 2 Excludes City of London Police, as data is not available.

Source: Home Office data on police financial reserves, January 2018

## Capital expenditure

**1.18** The Department's capital funding for forces has reduced since 2010-11. In 2016-17, forces received £82 million in capital grants, down from £215 million in 2010-11, a 65% reduction in real terms.

**1.19** Forces have become increasingly dependent on capital receipts from the sale of land and assets to fund new capital expenditure. Capital receipts have increased from £81 million in 2010-11 to £264 million in 2016-17. Although selling off existing assets such as land and buildings allows forces to fund new investment in the short and medium term, it is ultimately limited by forces' asset base and may not be sustainable in the long term. Capital receipts are also less predictable than other sources of financing. In 2015-16 and 2016-17, forces' capital receipts were £102 million and £153 million lower than planned respectively.

**1.20** Forces have spent less than estimated on capital projects over the past three years. Forces underspent against their plans by £340 million in 2016-17, £215 million in 2015-16 and £354 million in 2014-15. In 2016-17, forces largely underspent on information and communications technology, and land and buildings (underspends of £237 million and £185 million respectively).

## Savings

**1.21** There are limited national data on the extent to which forces are making efficiencies. HM Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) reported that forces plan to make savings of approximately £900 million by 2022, with around £275 million of savings in 2018-19.<sup>9</sup>

## Changing nature of crime

**1.22** The most common measures of crime-related demand for police services are crime recorded by the police and crime reported by the public in the Crime Survey for England and Wales (the crime survey). However, both of these measures have limitations:

- The crime survey has historically excluded some crime types, such as fraud, and some individuals, such as people living in institutions.
- Crime recorded by the police only captures crimes reported by victims and those recorded by the police.

**1.23** Noting these limitations, between the year ending March 2011 and the year ending March 2018, crime recorded by the crime survey decreased by 36% (excluding fraud and computer misuse).<sup>10</sup> In the year ending March 2018, the crime survey results showed that crime was at a similar level to that reported in 2016. This follows a long-term fall in crime since the 1990s, although it is too early to say whether this indicates a change in the overall trend or simply a pause. The exceptions to this stable picture are rises in some types of theft and in lower-volume but higher-harm types of violence, and a fall in the high-volume offence of computer misuse. Most people do not experience crime. In the year ending March 2018, 8 in 10 adults were not a victim of any of the crimes asked about in the crime survey.

<sup>9</sup> HM Inspectorate of Constabulary and Fire & Rescue Services, *PEEL: Police efficiency 2017*, November 2017.

<sup>10</sup> For comparability over time, these trends exclude fraud and computer misuse, which were first measured in 2016.

**1.24** Police-recorded crime data provide some insight into areas that the crime survey does not cover. These include the less frequent but higher-harm violent offences, which have risen since 2016. In the year ending March 2018, the Office for National Statistics (ONS) reported there was a 16% increase in offences involving knives or other sharp instruments, and a 2% increase in firearms offences nationally.<sup>11</sup> These violent crime offences tend to be concentrated in metropolitan areas. The ONS judged that increases in these police-recorded crimes were genuine, although it also recognised that improved recording may have contributed to these rises. This is supported by admissions data for NHS hospitals in England, which have shown a 14% increase in admissions for assault by a sharp object in the year ending March 2018.

**1.25** Some crime types, such as child sexual abuse, are increasing. These are often complex and place substantial demands on police resources and capability. Analysis by the National Crime Agency shows that there was a 700% increase in child sexual exploitation and abuse referrals between 2013 and 2017.<sup>12</sup> The Department states that most of the growth in these offences stems from improved reporting and recording, since such cases have previously been under-reported to the police.

**1.26** HMICFRS data on forces' responses to emergency and priority incidents show that 24% of the incidents that forces responded to were crime-related in 2016-17. Around 12% of the incidents that forces responded to were because of anti-social behaviour, and the remaining 64% of incidents were non-crime related, such as dealing with missing persons or responding to a car accident. The forces we visited told us these non-crime related demands placed considerable pressure on their resources. While the primary purpose of the police is the prevention of crime, forces are not specifically required to attend all non-crime related incidents, but usually do so when other agencies are unable to respond.

## **Service sustainability of police forces**

**1.27** Given that the legal framework prevents forces from running deficits, the Department recognises that any problems caused by funding reductions are more likely to manifest themselves in a force being unable to provide an effective policing service (service failure) than financial failure. In 2017, HMICFRS police effectiveness, efficiency and legitimacy (PEEL) assessments of effectiveness found 31 out of 43 forces were either outstanding or good, up from 28 in 2016, but that a minority of forces were 'overwhelmed' with some aspects of policing.

<sup>11</sup> Office for National Statistics, *Statistical bulletin: Crime in England and Wales, year ending March 2018*, July 2018.

<sup>12</sup> National Crime Agency, *Annual Report and Accounts 2017-18*, July 2018.

**1.28** We examined information available to the Department and the Department's own analysis to assess whether the policing sector is experiencing or is likely to experience financial and service stress. We have found some indications that the sector as a whole is finding it increasingly difficult to deliver an effective service.

- The time it took to charge an offence increased from 14 days for the year ending March 2016 to 18 days for the year ending March 2018. Furthermore, the proportion of crimes which resulted in a charge or summons fell by six percentage points, from 15% in March 2015 to 9% in March 2018.
- There were fewer arrests as a proportion of the population in 2016-17 than in 2014-15. The arrest rate fell to 14 arrests per 1,000 population in 2016-17, down from 17 per 1,000 population in 2014-15.
- The police have carried out less proactive work. Since 2010, there have been fewer breathalyser tests, motoring fixed penalty notices and convictions for drugs trafficking and possession.
- Crime survey data show that the proportion of victims who were not satisfied with the police response rose from 29% in the year ending March 2016, to 32% in the year ending March 2017, and 33% in the year ending March 2018.
- HMICFRS has raised concerns that victims do not always receive a timely response from the police because of the volume of calls police staff are managing, and the availability of response officers.

### Police forces' resilience

**1.29** In November 2017, the Department examined available information on demand for services, police performance, workforce, efficiency, police activity, reserves and funding to make an assessment of the financial resilience of forces to inform its decisions on 2018-19 funding. It concluded that there was strong evidence the police were facing increased pressure compared with 2015, most notably from a changing terrorist threat. The Department attributed some of this pressure to an increase in reporting of low-volume and high-harm crime, such as sexual offences, which are more costly to investigate. It also acknowledged substantial financial pressures from inflation, the costs of transformation, and increases in employer pension contribution rates due in 2019-20. While the Department assessed that pressure is currently at a manageable level, it identified a number of forces that were high-risk in terms of future resilience.

# Part Two

## Effectiveness of the system for securing financial sustainability

**2.1** The Home Office (the Department) is responsible for overseeing the framework that provides assurance over the financial sustainability of police forces (forces). In this part we focus on:

- the current police accountability system;
- how the system helps to prevent financial failure; and
- how the Department monitors risks of financial failure and assesses police forces' financial sustainability.

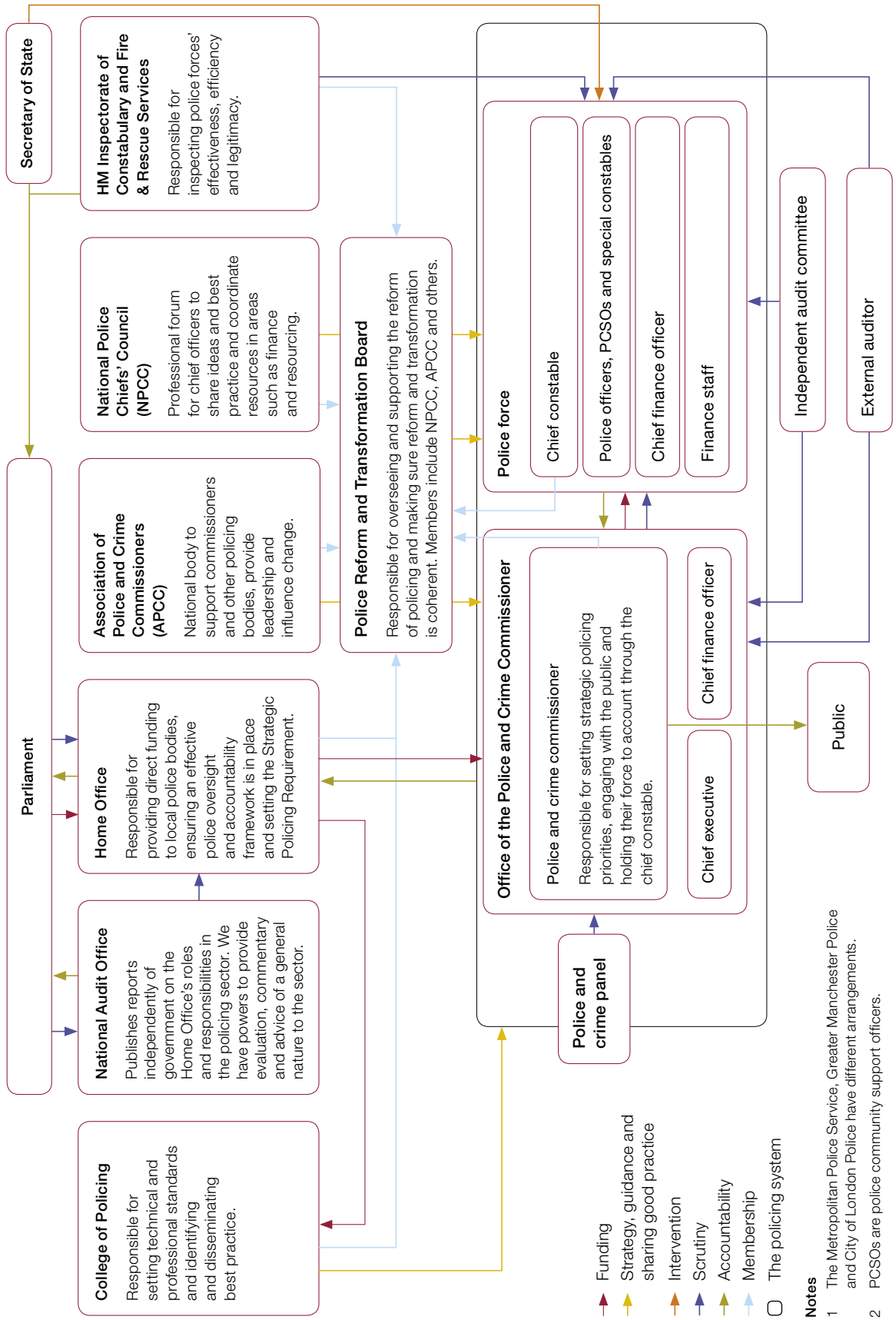
### Accountability

**2.2** The Department's accounting officer has a responsibility to Parliament to safeguard public money. The Department's July 2017 *Accounting Officer System Statement* outlines the accountability framework for police bodies and the Department's role.<sup>13</sup> We outlined the Department's responsibilities in paragraph 3 of this report's Summary. **Figure 8** overleaf explains the roles of stakeholders within the police accountability system.

**2.3** The Department's system statement sets out local accountability arrangements. It describes the responsibilities of commissioners and chief constables in providing effective financial and budget planning for their forces. Commissioners allocate funding for policing to meet the objectives set in their police and crime plans. These plans must have regard to the national threats described in the Department's Strategic Policing Requirement. The Department asks commissioners to have regard to the Department's Financial Management Code of Practice when managing funds. Commissioners and their treasurers hold chief constables to account, and forces are subject to independent audit. Forces are also subject to independent inspection by HM Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS).

<sup>13</sup> Home Office, *Home Office Accounting Officer System Statement*, July 2017.

**Figure 8**  
Police force accountability arrangements in England and Wales



**Notes**  
 1 The Metropolitan Police Service, Greater Manchester Police and City of London Police have different arrangements.  
 2 PCSOs are police community support officers.



**2.4** The Department's 2017 system statement lacks much of the detail and information that the Department had previously outlined in its 2015 statement.<sup>14</sup> This means it is no longer clear to Parliament or the public:

- how the accounting officer gets assurance that the system for policing is working and whether changes are needed;
- what information the Department uses to judge the financial health of the system; and
- how the Department will identify and respond to a force's financial or service failure.

By comparison, the accounting officer system statement of the Ministry of Housing, Communities & Local Government (MHCLG) is clear on how the accounting officer gets assurance and information on the financial sustainability and effectiveness of local authorities, which like police forces are run by locally elected bodies.<sup>15</sup>

**2.5** The Department relies largely on local democratic processes to keep a check on the quality of forces' services. In line with the government's policy of local accountability, the Department states that commissioners are well placed to judge what communities need and that commissioners that do not deliver for their local communities can be voted out. Commissioners and forces decide what information to collect and monitor in response to local priorities. This system of accountability limits the Department's oversight of how commissioners spend the funds it allocates to them. It limits the Department's system-wide view and means it might not identify risks that could affect the future funding position of commissioners and forces. It is not clear how local accountability arrangements will deliver improvement when the issue is a lack of funding rather than the performance of commissioners.

**2.6** The Department told us that it monitors forces' performance by engaging with and drawing on information from commissioners, forces and HMICFRS. However, the system statement does not set out how the Department works with these bodies to get assurance that the system is working, and we have not seen evidence of formalised reporting mechanisms. HMICFRS is developing its oversight of forces' performance through police effectiveness, efficiency and legitimacy (PEEL) assessments and force management statements. It has established a number of processes to review this information and escalate issues to the Department where necessary.

<sup>14</sup> Home Office, *Accountability System Statement for Policing and Crime Reduction*, March 2015.

<sup>15</sup> Department for Communities and Local Government, *Accounting Officer System Statement*, June 2017.

## **Preventing financial failure**

**2.7** A legal framework at the core of the policing accountability system effectively prevents forces becoming insolvent. Police forces and commissioners cannot borrow to finance revenue or run deficits. This is enforced by legal duties for:

- commissioners and forces to set balanced annual budgets, and commissioners to ensure forces have adequate reserves; and
- chief finance officers to issue a 'section 114' report if it appears that a commissioner might spend more in a financial year than the resources available.

At the time of publication, no force has ever failed to set a balanced budget.

## **Intervention**

**2.8** The Home Secretary has 'backstop powers' to direct commissioners to take action if forces or commissioners fail to carry out their functions effectively. Intervention is on a case-by-case basis and considered to be a last resort when all other options have failed. To date, the Home Secretary has never used these powers. In 2015, we reported that the Home Secretary's powers and their use were not widely understood by commissioners and forces but that the Department's accountability system statement explained the powers. The current system statement makes no mention of the Home Secretary's powers or triggers for intervention, reducing transparency further.

## **Detecting risks to financial sustainability**

**2.9** While the system seems robust in preventing financial failure because of the legal framework in place, it is weaker at highlighting the extent of financial and service strain within forces and, consequently, risks to financial sustainability. Early warning information is important because:

- intervening after financial or service failure is likely to be more costly than preventing it in the first place; and
- forces' inability to run deficits means financial pressure is likely to manifest itself in reduced services – evidence of financial pressure is therefore a crucial indicator that services may be at risk of failure.

**2.10** We have found little progress since our last report of improvements to data and analysis at a national level on: the demand for police services (see paragraphs 2.13 to 2.15); productivity; professional capability and capacity; collaboration; reserves; workforce satisfaction; and on whether savings made so far are sustainable in the long term. HMICFRS has developed better information that provides an insight on how forces are performing and the service they are providing through:

- annual reports on how forces have managed funding reductions;
- value-for-money profiles of individual forces that provide comparative data on a range of policing activities;
- thematic reports that examine either all forces' response, or a sample of forces' responses, to issues such as fraud; and
- PEEL assessments, which inspect forces' performance in the round. However, the Department recognises that this information is limited in terms of identifying risks to financial sustainability.

The Department told us that improvements on data and information gathering will be introduced through HMICFRS' force management statements (see paragraph 2.15).

### Monitoring risk

**2.11** The Department improved its understanding of forces' resilience through its assessment of each force's resilience based on financial, demand and performance data (see paragraph 1.29). This work served its purpose of providing a snapshot of pressures faced in policing and it was used to inform decisions made for the 2018-19 funding settlement and provided the Minister for Policing with information on each force. However, this work did not provide the Department with a tool to monitor financial sustainability on an ongoing basis. This work should be repeated systematically to provide the Department with current information of where forces may be at risk of becoming financially unsustainable. Furthermore, there remain areas that can be strengthened. For example, the analysis lacked some indicators that would help the Department to identify risks to financial sustainability, such as external auditors' concerns about value for money, and forces' capital spending plans.

**2.12** Without systematic monitoring, there is a risk that any deterioration in forces' resilience might not be spotted in between the events, fiscal or otherwise, that prompt the Department's assessments of the financial health of the sector. Understanding the scale of financial risk and where it lies is important, as intervention after a failure is likely to be more costly than preventing the failure in the first place. The Department could learn from MHCLG, which has improved its oversight of local authorities' financial sustainability by collecting and analysing data regularly. MHCLG has developed a local authority sustainability tool which it uses to: model the impact of different scenarios, such as new policies, on financial risk; track how far assumptions underpinning the 2015 Spending Review modelling have been borne out; and inform its assessment of the level of risk of widespread financial failure.

### **Understanding demand and police productivity at a local level**

**2.13** An understanding of the demand for police services and the cost of providing police services is important as it has an impact on the resources and skills required by forces. In 2017, HMICFRS reported in its PEEL assessments that 33 of the 43 forces in England and Wales were either outstanding or good at understanding local demand. This is at a similar level to 2016, when 34 out of 43 forces were either outstanding or good at understanding their current and likely future demand. We visited four forces rated outstanding by HMICFRS for their understanding of demand and found that all had used IT systems or models to develop their knowledge, better understand demand and prioritise their activities.

**2.14** However, there remain no common standards for measuring all demands for police services and their costs and therefore no national picture of what forces need. The Department ensures there is standard information available for some demands for police services, for example, numbers of 999 calls, crimes per 100,000 of population, and Crime Survey for England and Wales and police recorded crime estimates. But there is much less information available on more complex crimes and non-crime incidents, which restricts the ability of the Department to get a national picture of the demand for police services.

**2.15** We reported in 2015 that HMICFRS was developing 'force management statements' to improve forces' understanding of their business. These statements will require each force to publish data annually on a range of management and performance information, including on demand for police services. HMICFRS planned for force management statements to come into effect in 2016. By June 2018, all forces had produced force management statements. It is unlikely that these will give the Department national comparable data, because HMICFRS did not set highly prescriptive guidance on how forces should complete them. This means forces completed statements in different ways, limiting the opportunities to combine force data to get a national picture of the sector's financial health and performance. HMICFRS plans to issue more prescriptive guidance in future to improve the consistency of how demand for police services is measured in future statements.

## Part Three

### The Department's wider support for police forces' financial sustainability

**3.1** This part of the report sets out the Home Office's (the Department's) activities to support police forces to be financially sustainable. In this part, we examine:

- the role of the Department and other bodies in transforming police services; and
- how the Department is supporting forces to achieve financial sustainability through its programmes of work.

#### **Role of the Department and other bodies in transforming policing**

A long-term plan for the sector

**3.2** The Department does not have a strategy that sets out what it wants policing to look like in the future and that helps it to direct its resources effectively. The police sector has set its own strategic direction, *Policing Vision 2025*, created jointly by the Association of Police and Crime Commissioners (APCC) and the National Police Chiefs' Council (NPCC). The strategy sets out how the sector will improve policing in five key areas: local policing; specialist capabilities; work force; digital policing; and business delivery.

**3.3** The Department views its role as supporting *Policing Vision 2025* by providing investment, improving capabilities and promoting collaboration through three main programmes of work. These are:

- the Police Transformation Fund (PTF), which provides funding to support individual projects that contribute to achieving *Policing Vision 2025*;
- the law enforcement programmes; and
- participation in and support for national initiatives, such as the National Commercial Board to improve back-office efficiencies.

**3.4** The Department has developed plans for how it will support and monitor progress against the five individual areas of *Policing Vision 2025*, for example through building digital capability. It has also considered how some specific functions, such as procurement, should be best organised. However, it has no plan or guiding set of principles that help it to identify whether a national, regional or local body is best placed to develop and implement programmes of work that help forces to transform. The Department's own programmes of work, which aim to support *Policing Vision 2025*, are led and managed in different ways. For example, the Department is the lead body developing and implementing a new communications network for all forces and other emergency services (the Emergency Services Network). But other national projects, such as the National Police Air Service, are developed and led by individual forces in collaboration with others.

**3.5** The Department selects and approves law enforcement programmes based on their individual merits, rather than taking a system-view to decide what type of support work is most important and where it should spend its money. We have not seen evidence that the Department considers how the objectives of its programmes interact with each other and how forces are responding to multiple programmes of work.

### Police Reform and Transformation Board

**3.6** The Department has devolved responsibility for reform and transformation of policing to the Police Reform and Transformation Board (PRTB). Designed in conjunction with senior police stakeholders, the PRTB includes representatives from the APCC, NPCC, HM Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS),<sup>16</sup> College of Policing, the National Crime Agency and the Department. The PRTB is an unincorporated, voluntary association of its members. Its purpose is to oversee and support the reform of policing, making sure reform and transformation is coherent and that forces provide the best service to the public.

**3.7** The PRTB oversees additional programmes of work to support the five strands of *Policing Vision 2025*. For example, the specialist capabilities sub-board of the PRTB is developing options for new ways to help the police deliver specialist capabilities including surveillance, major investigations, armed policing and roads policing. While it plays an important role in reviewing forces' applications for transformation funding from the PTF, the PRTB does not make the final decision on where funding for transformation work goes (see paragraph 3.8). The PRTB has had some success in encouraging forces to participate in its programmes. However, it has no powers to sign contracts or enforce compliance among its members, and no budget, which limits its ability to achieve service transformation. The Department has decided to create an office to support the PRTB and how it manages programmes funded by the PTF.

<sup>16</sup> HMICFRS sits as an observer on the PRTB.

The Department's programmes to support forces to be financially sustainable

### **Police Transformation Fund**

**3.8** In May 2016, the Department established the PTF to incentivise police to transform their services to meet future challenges. The Department expects PTF projects to generate £1.3 billion in benefits by 2021-22, the majority of which will come from improved services. By July 2018, the Department had awarded £220 million to 98 PTF projects, to be spent between 2016 and 2020. These projects are led by individual forces, the APCC or the College of Policing. In 2018-19, the Department reallocated £175 million to the PTF from funding for forces (equivalent to 2.4% of central government funding to commissioners). The PTF application process is overseen by the PRTB. The Department and HM Treasury scrutinise bids and make the final decision about funding, considering how much the proposal would support achieving *Policing Vision 2025*. Transformation funding is agreed annually by HM Treasury, and forces can apply to the Department for funding.

**3.9** The PTF is the successor to the Police Innovation Fund (PIF), which was established in 2013 to provide incentives for collaboration in policing, support better police IT and digital working, and fund innovative approaches to improving policing and achieving efficiencies. The Department allocated £176 million to 247 projects between 2013 and 2018. In 2017, the Department's review of the PIF found that most digital projects were not unique or innovative and, while projects were generally collaborative, they were not developed with a view to upscaling nationally. The Department was not confident that forecast benefits would be realised because the processes for identifying and monitoring them were weak.

**3.10** The Department has not fully learned lessons from the PIF in how it identifies and monitors the benefits of the PTF. It issued guidance on how to measure benefits and report on progress; forces are required to provide an evaluation plan when a PTF project starts and an evaluation report when it ends. In January 2017, the Department's internal auditors found that forces were not always providing quarterly update reports on PTF projects, and that when they did, the information provided was not always accurate. In 2017-18, reports on PTF projects were provided late in around a quarter of cases. The Department told us it followed up forces that did not have performance management reports to ensure compliance with the PTF performance monitoring requirements. The planned new management office (see paragraph 3.7) is expected to track progress of and monitor the benefits delivered by PTF-funded projects.

**3.11** Of the nine forces we spoke to, seven described a number of issues with the PTF process that make it harder for them to implement projects. The Department has delayed approving bids because business cases for proposals were not sufficiently detailed and because of delays receiving ministerial and HM Treasury approval of bids. Delays in forces receiving funding can significantly affect the scope for them to use the money effectively because all PTF spending has to be made in the year it is allocated. The Department has a process where forces can request to move funding from one year into future years and has done this for a number of projects.

### **Law enforcement programmes**

**3.12** The Department's law enforcement programmes aim to replace existing systems or provide forces with new capabilities. These include the:

- Emergency Services Network (ESN) 4G communications system designed to replace the current Airwave system;
- Home Office Biometrics programme to provide a single platform for sharing fingerprint, DNA and facial recognition data across police and other government agencies;
- National Law Enforcement Data Service to replace the Police National Computer and Police National Database;
- National Automatic Number Plate Recognition (ANPR) service to replace the 43 systems currently used by forces and the National ANPR Data Centre; and
- Child Abuse Image Database to provide a single database of illegal images to improve victim and offender identification.

**3.13** The Department spent £275 million on its law enforcement programmes in 2017-18, from its £1.3 billion budget for these programmes between 2015-16 and 2019-20. It expects the new systems it is developing to replace old systems that are currently costing around £400 million each year to run. As much as 80% of the financial and efficiency savings of these programmes are expected to come from the ESN system. However, it is unlikely that the Department will realise significant savings in the short term from these new systems. Of the current £400 million annual running costs of old systems, £330 million is spent on the Airwave communications system. The replacement for Airwave, the ESN, should cost considerably less to run, but forces have not yet managed to achieve savings because, by June 2018, the introduction of the ESN was at least 15 months behind schedule. Eight of the nine forces we visited told us that delays to introducing the ESN had cost them money through having to continue spending money running and investing in the current system.



### **Regional and national collaboration**

**3.14** The Department encourages forces to collaborate with each other, and other emergency services and local authorities, by placing a statutory responsibility on them to consider all opportunities to improve efficiency or effectiveness through collaboration.<sup>17</sup> The Department sits on national boards to help foster collaboration, such as the National Commercial Board, which oversees a commercial collaboration programme to improve police efficiency.

**3.15** The National Commercial Board, which includes the NPCC, APCC and College of Policing, has run programmes which delivered £273 million of savings by the end of December 2017. It has identified future savings of £102 million from collaborative procurement, and has four other programmes examining the potential to deliver efficiencies in other ways, such as through sharing back-office services and selling buildings forces do not need. The Department supports these programmes by providing funding through the PTF, but is not directly involved with managing or delivering them.

**3.16** Forces' spending on collaboration with other forces rose almost five-fold from 2010-11 to 2016-17, from £32 million to £185 million. Progress is not uniform, however, with spending through collaborations or partnerships varying significantly between forces. Forces told us that collaboration offers opportunities, but there are challenges. Geographical location can limit the opportunity to share specialist units, such as armed responders, and it can be difficult to get agreement from all commissioners and chief constables to proceed with collaboration.

<sup>17</sup> Policing and Crime Act 2017.

# Appendix One

## Our audit approach

1 This report examined the Home Office's (the Department's) progress in managing a clear assurance and oversight system that:

- is effective in identifying risk and identifying financial pressure;
- uses information on the demand for and cost of police services to inform its funding allocations; and
- supports forces to be financially sustainable by facilitating transformation and enabling forces to make savings.

2 We reviewed:

- the system for managing risks to police forces' financial sustainability;
- how well police forces have managed financial challenges since 2010-11;
- how the Department informs itself in order to make funding decisions; and
- the effectiveness of the Department in supporting forces to achieve financial sustainability.

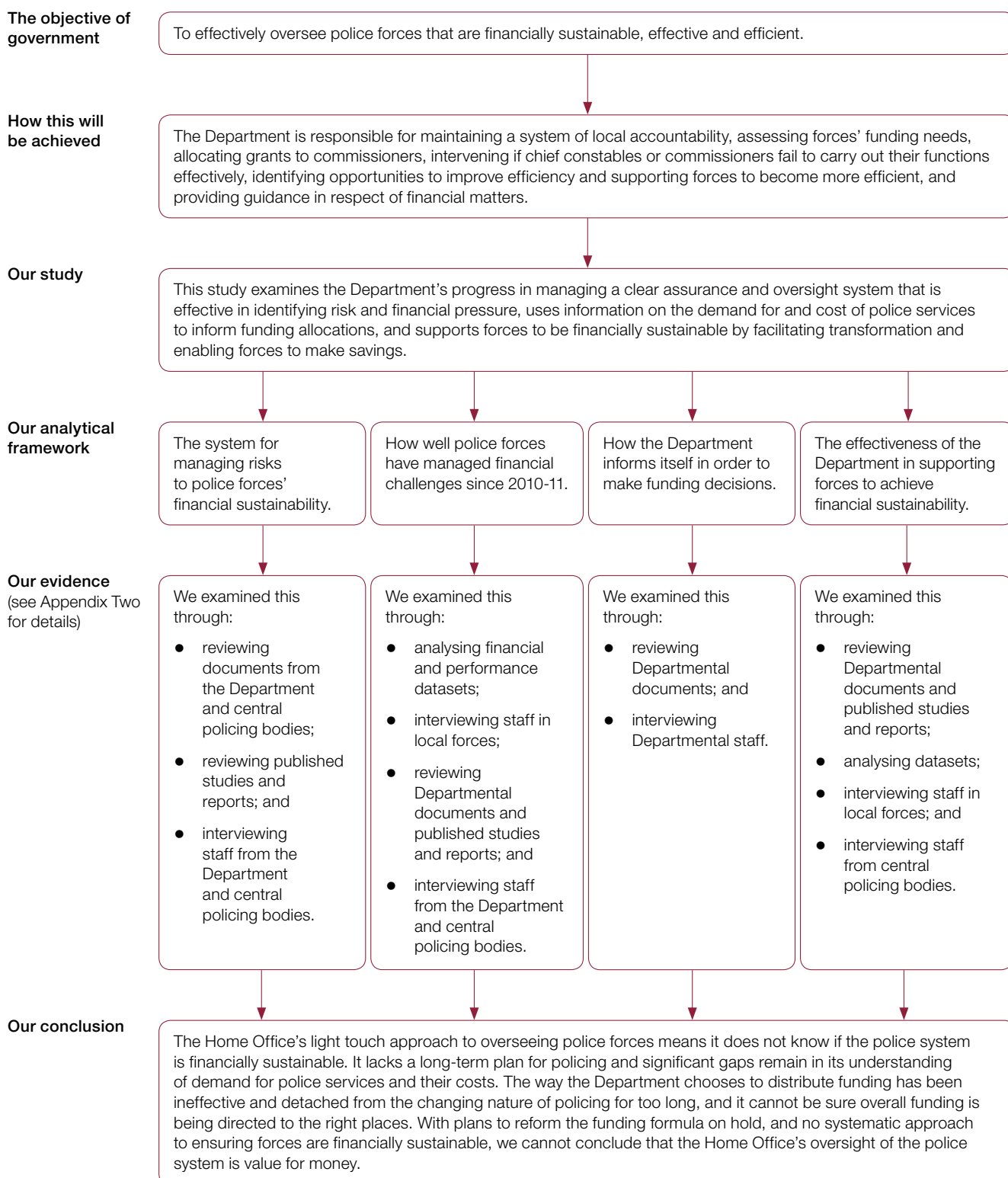
3 We applied an analytical framework with evaluative criteria, which consider what arrangements would be optimal for the Department's oversight of a financially sustainable police force. The Department recognises that any problems caused by funding reductions are more likely to manifest themselves in a force being unable to provide an effective policing service (service failure) rather than financial failure, and our assessment therefore included whether forces are finding it harder to deliver an effective service.

4 We examined changes to police funding over time and the system of accountability for policing. We examined the financial and non-financial pressures faced by police forces and how they have responded, and the support provided by the Department to help forces achieve financial sustainability.

5 Our audit approach is summarised in **Figure 9**. Our evidence base is described in Appendix Two.

**Figure 9**

## Our audit approach



# Appendix Two

## Our evidence base

- 1 Our independent conclusions on the Home Office's (the Department's) performance in overseeing police forces and supporting them to be financially sustainable were reached following our analysis of evidence collected between March and June 2018.
- 2 We applied an analytical framework with evaluative criteria, which considered the system for overseeing forces' financial sustainability, the financial challenges faced by forces since 2010-11, how the Department informs itself in order to make funding decisions and how the Department has supported police forces to become financially sustainable. Our audit approach is outlined in Appendix One.
- 3 We examined the system for managing risks to police forces' financial sustainability.
  - We conducted interviews with the Department, including with officials from the Law Enforcement Transformation Unit; the Crime, Policing and Analysis Unit; the Law Enforcement Programme team; and the Police Strategy and Reform Unit. Interviews focused on how the Department oversees forces' performance with regard to financial sustainability, as well as ascertaining information relating to our other analytical themes.
  - We conducted interviews with officials from central policing bodies and associations, including College of Policing, HM Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) and the National Police Chiefs' Council (NPCC). We also conducted an interview with Professor Tom Kirchmaier, Research Economist at the London School of Economics and Political Science.
  - We reviewed Departmental documents to examine how the Department supports the financial sustainability of police forces.
  - We reviewed published studies and reports and documents from central policing bodies and associations including the Association of Police and Crime Commissioners, College of Policing, HMICFRS, NPCC and the Police and Crime Commissioners Treasurers' Society (PACCTS).

4 We examined police forces' financial performance since 2010-11. We analysed financial and performance datasets such as data on funding, crime and levels of performance, drawing on data from the following sources:

- The Chartered Institute of Public Finance and Accountancy;
- Government statistical publications;
- HMICFRS' police effectiveness, efficiency and legitimacy assessments;
- Home Office;
- Office for National Statistics; and
- PACCTS.

These data were chosen to provide a mix of financial, performance and demand data. They were used to determine:

- levels of funding and how these have changed over time;
- the breakdown of funding from each source;
- current and previous levels of performance and demand;
- how the police workforce has changed over time; and
- levels of reserves.

5 We visited nine police forces. Forces were selected to ensure a range of geographical locations and levels of expenditure, a range in the sizes of the areas and populations served by the force and a mix of urban and rural locations. We asked questions on the following topics:

- funding and financial cost pressures;
- new and existing demands on forces;
- approaches to making savings while aiming to maintain capability;
- levels of performance achieved;
- opportunities for collaboration and service transformation; and
- support and guidance provided by central bodies.

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