

The Rt Hon Nick Herbert MP
Minister of State for Policing & Criminal Justice
Speech to CityForum
Tuesday 25 January 2011

The Spending Review settlement sees government funding for the police fall by 20 per cent in real terms by the end of the four year period – some £2.1 billion. I want to explain why this settlement for the police is necessary, challenging, but manageable – and how we are helping the service meet that challenge.

But I also want to set out why I believe that ‘business as usual’ is no longer an option for police forces and authorities. I will argue that a fundamental redesign of police force organisation is now needed.

Let me start by addressing some of the concerns that have been set out.

There are some who say that police funding should not be cut, or not by so much. But this Government inherited the toughest fiscal challenge in living memory. We have had no option but to reduce public spending. The police service, in spending over £13 billion a year, cannot be exempt from the requirement to save public money.

But my absolute priority – and that of the Home Secretary – is to ensure that the England and Wales police retains and enhances its ability to protect and serve the public. By improving efficiency, driving out waste, and increasing productivity, I believe that we can make the police service stronger even as it becomes leaner.

It has been argued that the distribution of grant between forces is unfair. We looked closely at whether it would be right or possible to adjust the grant reduction to take into account the fact that some forces raise less from their precept than others, but there were a number of objections to that. One is that by doing so, we would be penalising council tax payers in other areas

who already pay far more for their policing services and have had a big increase in council tax over previous years. That would certainly be unfair.

And by subsidising forces – including large forces with greater capacity – in that way, we would be asking others to take a larger cut in central grant than 20 per cent. They would have regarded that as unfair, too. The fair solution, and the one expected by forces and authorities, was to treat all forces in the same way with an equal cut in grant.

Of course there has been much focus on the expectation that police officer numbers and staff numbers will fall. But as I have consistently argued, this is a narrow focus. The test of the effectiveness of a police force cannot be how much is being spent on it or how many staff it employs. There is no simple and automatic link between officer numbers and crime levels. There is no simple and automatic link between officer numbers and their visibility to the public. Of course, to use the great Bill Bratton's phrase when he visited us last year, cops count. But, as he also argued, the effectiveness of a police force - like any organisation - depends primarily on how well the resources available to it are used.

Some have said that the funding settlement is not manageable – or that the profile of the reductions makes it harder. But the overall settlement is just that - settled. Neither the 20 per cent real reduction in government grant nor the profile are negotiable. In cash terms – not taking into account inflation – the average reduction for forces' grant is 4 per cent in the first year, 5 per cent in the second, 2 per cent in the third and 1 per cent in the fourth. That doesn't affect the council tax funding for forces, which is determined locally, and which on average accounts for a quarter of all police funding. Those figures illustrate the fact that although these are challenging reductions, they are manageable, provided that considerable savings can be realised.

Let's be under no illusions about what the core challenge is. It's not just to reduce costs. The core challenge is to reduce costs while maintaining and indeed improving public services. The police are 'can-do' – and I'm constantly

impressed by the determination I've seen from police officers and staff to do just that.

I appreciate that many in the police workforce are worried about their remuneration and their jobs. I certainly do not belittle this concern, which is wholly understandable. But my first priority must be to ensure the best service to the public within the financial constraints which we all face.

This challenge requires real leadership, decisive leadership. Transformational leadership from chief constables, who I know can provide it. Local political leadership from police authorities and their successor directly elected Police and Crime Commissioners. And strong, strategic leadership from the Government, which the service rightly expects and which I am determined to provide.

So let me explain the broad strategy – and how we will ensure that it is delivered.

It is to -

- Improve frontline services;
- Spend the minimum on other functions;
- From the start think about transformation and long-term change, not tactical salami slicing.

The police service needs to maintain and improve frontline services – which includes both visible frontline policing – for example, response and neighbourhood functions – and the less visible frontline functions – like investigation. This isn't about maintaining frontline numbers – it's about the service to the public.

There are many tools to hand. Better management and organisation can increase availability to the public. Better rostering and shifts will increase availability at the times of peak demand. More professional discretion, less bureaucracy and better use of IT will enable the most effective use of the time of frontline officers and staff. Just as the police service's leaders seized and met the transformative challenge of neighbourhood policing, I believe they can seize and meet this new challenge across all frontline functions.

Much of my focus in this speech will be on savings in non-frontline functions. But before I move to those I want here to give some examples that show how the frontline can become more productive:

- West Yorkshire Police have significantly reduced the time to investigate a crime – improving the standard of initial investigation they reduced the average time to investigate low level crime by 85 per cent;
- Wiltshire has significantly reduced the time neighbourhood and response officers spend in custody centres and off the streets from an average of 27 minutes to an average of 10 minutes. This is worth 3,000 extra hours of street policing;
- In Brighton, Sussex Police, my own force, have put in place a dedicated team for secondary investigations, reducing the amount of paperwork that response officers have to complete and allowing them to return quickly to the streets after answering a call. This saved nearly £1 million, improved response times, and sped up the time it takes to complete an investigation.

At the same time, the police service needs to minimise what it spends on non-frontline functions. Some of these are back office functions (like finance and HR) and some of these are what we tend to call middle office functions (such as training, custody and criminal justice administration). These functions have grown disproportionately as the money rolled in and bureaucracy predominated. As Peter Fahy, Chief Constable of Greater Manchester

Police, told the Home Affairs Select Committee earlier this month: "... some of our headquarters operations had got too big."

I'm not saying that these functions can or should be abolished. I am saying that they need to become much leaner. They need to cost the minimum consistent with supporting the frontline in the context of a less bureaucratic approach to public service delivery.

Delivering change

I want now to explain the national part in making sure that the necessary changes happen. It is true that the *primary* responsibility is local. That realisation is at the heart of the Government's approach across the piece. Indeed, rejecting Whitehall's costly bureaucratic accountability and replacing it with local democratic accountability, and alongside this restoring professional discretion, is at the heart of our new approach. We're not going to be micro-managers. Micro-management from Whitehall is what causes unnecessary bureaucracy and a focus on feeding the machine. The Home Secretary has made clear that this is the wrong approach. It's an approach that doesn't save money – it has created many of the costs which now need to be reduced.

But there's a paradox of policing over the last few years. While central government has interfered too much in matters that should be determined locally, it has been weak in areas where a stronger grip was required. The imperative of dealing with the threat of terrorism, backed by a huge investment, saw a strong national counter terrorist network developed. But the fight against serious and organised crime, as Sir Paul Stephenson reminded us last year, remains patchy. There has been too little focus on ensuring value for money. And following the failure of compulsory force amalgamations - to which I shall return - the centre was weak in setting a new vision or driving collaboration.

The time has come to reverse this situation - giving more space for local determination with stronger local accountability, while ensuring real leadership where national organisation is required.

So let me set out the elements of a new approach to driving savings.

Transparency

First, transparency - a principle which is running through our agenda for public service reform. Transparency of data and use of comparative data are absolutely key parts of enabling and driving change – data on costs and service which is accessible to the public to reinforce the behaviours that drive value for money. This is the fundamental significance of HMIC's Value for Money Profiles which set out publicly that information for forces, authorities and the public.

HMIC lead in publishing comparisons – and will publish the next edition of the Profiles shortly. And let me be clear that revealing key information about performance is not the same as managing performance. I am committed to moving away from micro-management and reducing the burden of compliance and bureaucracy on forces. But without information the consumer cannot be king and the taxpayer cannot ensure value. We must not confuse the demand for information with the demand to do things in a certain way.

Let me give an example of how this approach can help to identify savings. In the summer, HMIC took a look at the different levels of spending between similar forces across a number of functions. Suppose each force managed down its costs to the average of its peers. Not to the best – but to the average. That would save well over £1 billion a year. Neither HMIC, nor I, are saying that this can be done without effort – indeed it requires a transformational effort. But it shows what could be achieved just by asking all forces to match the average performance of their peers. And I note that there is cross-party agreement that these savings, which can be realised while protecting the frontline, would be expected by any government.

But why shouldn't forces be able to go further by matching the performance of the best, rather than merely the average? That doesn't seem to be an unreasonable ambition on behalf of the taxpayer. Suppose we look across a range of support functions – for example, back office functions (like finance and HR) and the middle office functions (such as training, custody, control rooms and criminal justice administration). If forces improved productivity and adjusted to the level of spend of that typical of the more efficient forces, that could add another £350 million to the savings calculated in HMIC's summer report.

Pay and other conditions of service

Second, we cannot avoid the issue of pay. It accounts for the bulk of total police spending – around £11 billion last year. And any organisation in which the majority of cost is pay and which is facing hard times has to look at its pay bill. The Government has announced a policy for a two year pay freeze across the public sector. Subject to any recommendations from the Police Negotiating Board and agreement on staff pay, this might save some £350 million.

We have also asked Tom Winsor to review the remuneration and conditions of service of police officers and staff. It's vital that we have a modern and flexible police service. Through allowing more modern management practices, this review will help ensure chief constables can deliver the frontline services people want, while providing the value for money that is so vital in the tough economic times we face. The Government has asked the review to make recommendations that are fair to, and reasonable for, both the taxpayer and police officers and staff. And I do want to emphasise the importance of fairness to police officers who cannot strike and who often do a difficult and dangerous job on behalf of the public. Tom Winsor's first report is due to be published in February, with the second part due in June.

IT, goods and services

Third, we also need to look at what police forces buy. Police non-pay spending amounted to some £3½ billion in 2009/10 – around one-quarter of the total of revenue and capital spend. So while this is much smaller than spending on pay, it's still a very substantial amount of money which has to form a key part of the approach to the next few years. The potential savings are not to be dismissed, they are not small beer.

For too long the police service has been a fragmented customer for goods, services and IT. This also means it has been more difficult and costly than it ought to be for the private sector to sell to the service.

There has been some collaboration in these areas. However, without the incentive of the need to save, this work has not proceeded quickly enough. We have clear agreement now with the leaders of the police service that the right way forward is a concerted, nationally-led approach.

With this change, we estimate that we can save some £380 million on procurement of goods, services and the police IT programme, ISIS. The vast bulk of this – around a third of a billion or more – will be additional to the savings which HMIC have projected.

We can do this by getting better contracts, reducing the volume of unnecessary spend, reducing the multiplicity of IT systems, and helping police leaders focus on policing not procuring.

We announced in our consultation document Policing in the 21st Century that the Government would specify the contractual arrangements to be used by the police service to procure equipment and services. We have already consulted widely on the first regulations to specify frameworks that the service would be required to use. This is a big change – moving away from multiple frameworks and buying by each force separately, or in ad hoc partnerships. Instead we will increasingly have mandated national frameworks.

Let me turn to another key element of this part of the approach – ISIS: the police Information Systems Improvement Strategy. This isn't a new programme – the previous government wanted to converge police IT - but progress has been limited. There remain 2,000 different IT systems across the 43 forces, employing 5,000 staff. The budgetary situation today demands action.

So I can now set out for you the approach which I have agreed with police leaders to ensure this work is driven forwards.

We will move to national arrangements for police IT rather than locally delivered arrangements. We will prefer delivery in partnership – particularly with the private sector – to “in-house” delivery. We want a broader focus on common business processes for policing rather than just a specific focus on IT. We want IT delivered as a series of services with forces paying for the IT they consume rather than continuing with a systems based model. And we will learn the lessons of costly government IT failures in opting for an incremental approach, which will still yield early opportunities, rather than a 'big bang' solution.

Collaboration

Fourth, we need to look again at collaboration. Let me be frank. While the service has made progress in collaborating on protective services, collaboration in order to save money isn't going ahead quickly enough. Some useful progress has made in using collaboration to manage specialist resources and build capacity. But in general there is simply not enough progress being made in sharing forces' middle and back offices to save money.

HMIC made this observation in their report last June on “Valuing the Police”. I say we are not seeing enough signs of change.

This isn't a matter of losing local identity. Local policing services and their command must stay local. I'm a passionate believer in that. Compulsory force mergers are off the table. I don't believe in them, the public doesn't support them, and the House of Commons wouldn't vote for them. But we cannot allow a vacuum simply because a regional structure was preferred and then dropped. Forces don't need to merge commands to share services.

We must now see a step change in collaboration between forces. We've seen leadership on national arrangements through the successful development of police databases like the PNC. Imagine policing without them.

And ACPO, through the work of Chief Constable Alex Marshall, has shown leadership in developing proposals for a National Police Air Service, which would save £15 million a year. If the service's operational leaders have concluded that this is the way forward, I hope and expect that police authorities will rapidly endorse the proposals.

We now need the same leadership from the service in a new space - middle and back office collaboration, identifying what services could be candidates, bringing forces together, and agreeing common business processes.

Support and advice to forces

Fifth, we must provide the right support for forces. Intensive continuous improvement programmes such as Quest have shown the value of assistance from the centre.

Cross-agency work in West Yorkshire and Sussex has shown what can be achieved by partnership and active, well-led, business process re-engineering. In both these counties, the police and partners mapped out processes truthfully end to end. They looked at the stocks and flows of cases, and the drivers of performance and cost. They developed quantified actions and turned them into detailed implementation plans. Then they carried out the plans using robust management information to tweak solutions and track

progress. In West Yorkshire, for example, this reduced so called “cracked and ineffective” trials – wasted work in other words – by a third. The time it took cases to get to trial also fell by a third.

Helping the police service work with the private sector

Sixth, I particularly want to highlight an area where we are working to assist the police service – and that’s with the private sector. Indeed the title of this conference is “A new strategic partnership between the police and industry”, one I believe we must forge.

A key strength of police leaders is their ability to bring in partners to work with them. I’ve seen this, time and again, in good local partnerships between the police and other parts of the public sector.

The challenge requires the police service to develop that capability further, to bring in the private sector’s skills to work alongside those of the police.

There are already good examples of work with the private sector, with forces such as West Yorkshire re-engineering their business processes.

What we need to do is bring in key commercial skills that the public sector does not naturally have. This can go beyond help with business process re-engineering, to include outsourcing – a journey on which the police service has only just begun.

Some people talk about an incompatibility between profit and public service. But if the private sector has the middle and back office skills which forces need – and the right price can be negotiated – it’s not serving the public to reject the outsourcing option.

And outsourcing need not stop at back office functions. Where operational functions in the middle office could be run better and more cost effectively by the private sector, there should be no ideological barrier to change. We have

already seen improvements through contracted out functions such as custody suites. Other forces have looked further, including into functions such as control rooms.

Because what matters to the public is the frontline - the police officer who is there for them, patrolling the street, responding to a 999 call or investigating a crime. The public does not see the back or middle office which supports the officer who helps them, and they do not mind who runs those functions. What they do want these functions to be as lean as possible so that the visible and available policing which they particularly value is protected and indeed enhanced. They want their officers to be crime fighters, not form writers.

Conclusion

And that's what I want to see, too. Every pound we save by re-engineering the back and middle office will contribute towards maintaining the frontline policing which must be prioritised.

And the potential savings I've quantified in this speech are considerable. They amount to £2.2 billion a year, outstripping the £2.1 billion real reduction in grant - and that ignores the contribution from the local taxpayer. £1.15 billion outlined already by HMIC. A further £350 million from bringing middle and back office functions to the level of spend of that typical of the more efficient forces. Some £350 million again from the potential pay freeze. A further £350 million or more from a new approach to procurement and IT.

I do not suggest that achieving these savings will be easy. To achieve them we all need to change the way we do business. Dealing with reductions in government funding will create a new imperative for action, changing the incentives on local decision makers. It already is. But to achieve the scale of change necessary, we need to drive this re-design of police organisation across the 43 forces.

The time for talking about IT convergence, collective procurement, collaboration, sharing and outsourcing services is over. We cannot afford not to do these things, and we cannot afford delay. And where necessary, the Government will mandate the changes required. I hope that won't be necessary. But let's be clear about one thing, the era of 43 fiefdoms is over.

That is why in the Police Reform and Social Responsibility Bill currently before the Commons we are introducing strong duties to collaborate on both Police and Crime Commissioners and Chief Officers, and introducing new powers for the Government to be able to set out strategic expectations for collaboration. I expect forces to join with other forces to save money in their back and middle offices. HMIC will be looking further at whether they are doing so, and chiefs need to exercise strong leadership to make this change happen.

I am very grateful to the NPIA for the work it has done in identifying savings. But this organisation cannot take forward solutions which aren't accepted by the individual forces. We need a new approach. We have announced the phasing out of the NPIA. But – as we have also made clear – this will not mean that value for money related programmes such as those I've mentioned in this speech will end. We need to de-clutter the national policing landscape, but these programmes will continue – picking up pace, not retreating.

And the Government is taking a direct interest in ensuring that savings are realised. We have set up a High Level Working Group, which I now chair, with representation from chief constables and police authorities to identify the right change programmes and agree that they should be taken forward. We all recognise that it is no longer business as usual.

Together with the Cabinet Office we are helping the police service to organise so that it gains the maximum benefit from working with the private sector - and the taxpayer gains the maximum value.

Yesterday's approach saw individual forces making their own deals with the private sector. Today we will combine the purchasing power of the 43.

The basic mission for which the police exist, as Sir Robert Peel stated, is to prevent crime and disorder. Every chief constable I have met has impressed on me his or her determination to do everything possible to protect frontline services while dealing with the reduction in funding.

But this requires more than a focus purely on tactical cost cutting. What's needed is transformational change which places service improvement at its heart.

The Government is determined to play its part in driving this change. I don't underestimate the challenge, but I am absolutely confident that forces can rise to it.