

Delivering a step change in police productivity

Paper by HM Treasury

Summary

1. The pace of improvement in police resource management and operational productivity needs to speed up significantly if the police service is to respond to the challenge of slower funding growth and to realise the vital performance and resource benefits of the intensive reviews, shared services, process improvement and wider reform. This is not just about making financial savings, but a step change in productivity to deliver the performance needed as budget growth slows over the CSR. It will mean a significant change in police culture, and a transformation in the information, skills and incentives in the service. This needs a sustained change programme, with a significant investment of Home Office leadership and resources.

The need for a step change

2. The police service faces significant challenges and opportunities over the five years to 2010/11:

- Resources will be tighter than over the period of expansion since 2001 (average annual real funding growth of 5.5% and a 20% workforce increase) and cashable efficiencies will need to be at least double the SR04 level and to be offset directly against pressures in the funding settlement. Both the government and police service will need much greater certainty that reported efficiencies are generating real resource headroom, and that resources are being rigorously managed to achieve the most cost-effective performance.
- Against this background, the performance improvement agenda will need to continue to develop and accelerate. The continued requirement for increased performance will need to be met by making much more cost-effective use of existing resources. This will demand much more detailed understanding of how to drive increased performance from core processes, with more detailed evidence of what works, and tighter productivity measures.
- To meet these challenges key building blocks of police reform will need to move from pilot phase to sustained implementation, including: the workforce modernisation agenda to build a more specialised and flexible workforce; improvements in protective services with strategic coordination between forces driving both capacity and efficiency; a step change in customer service including through neighbourhood policing; and the launch of an effective NPIA.

3. Together this represents a strategic productivity agenda for the police service, to raise performance by improving the impact of people and resources as funding growth slows. This is a big strategic prize and many of the building blocks already exist. Pilots in four

BCUs are demonstrating the potential for up to 15% productivity gains simply from engaging staff in local process improvement measures. The police workforce Intensive Review has identified possibilities to release workforce capacity for redeployment from a more flexible and better-managed workforce. 10 demonstration sites are now testing the implementation of workforce modernisation.

4. But we will not deliver on the potential of any of this the reform and productivity agenda unless it is matched in parallel by strategic, concerted and sustained effort to improve resource management and operational productivity across the service. The police service currently is short of the necessary data, knowledge, skills and incentives to deliver this agenda:

- First, resource management. The way that police forces manage both budgets and people remains short of best current practice in both private and public sectors. Although there are well-established improvement work streams (8 years of efficiency programme; the development of ABC and resource metrics for PPAF/APACS), progress is slow and patchy and not always part of a wider vision of a transformed management culture. The annual cycle of efficiency planning is typically a paper exercise isolated from the wider management of the force, and is not normally part of a wider culture that integrates productivity continuously into all operational and management decisions. Best practice examples around the police service tend to be isolated, and are slow to spread, even when clearly identified. Police forces lack the data to compare their cost-effectiveness with their peers in order to identify strengths and weaknesses, and to put performance variation into context. The drive for productivity is under-resourced and inconsistent within both the service and the Home Office.
- Second, workforce productivity. The intensive review has underlined the potential of moving the police service to resource-intelligent management, particularly in the management of operational policing, with substantial gains to be released from better workforce mix, £250m from better overtime and sickness management, and 10-20% improvement potential across processes from investigation and custody to call handling, training and HR. But although the police workforce consumes 80% of police resource the service has no means of recording what people actually do, and then costing this activity and linking it to outputs and productivity.
- Third, this is about culture and leadership as much as management systems, and cannot be left to technical changes or to finance departments. Forces are typically short of people with the experience or appetite to ask the most incisive questions about where resource is deployed and what productivity it is delivering. The relationship between VfM and operational performance as two sides of the same coin is too often not understood, nor is it grasped that this approach is key to operational performance.

5. To deliver the agenda of reform and productivity and manage within the CSR envelope, a step change is needed. The police service will need to be able to measure costs in a detailed and timely way by both function and local area. Resource and cost information will need to be integrated much more closely into regular performance monitoring and into operational tasking and evaluation. Police leaders, and not just Finance Directors, will need a clear grasp of what resources are going where, why and with what productivity.

Resource-intelligence will need to penetrate throughout the chain of command, operational decision-making and police culture.

6. A step change of this sort cannot be left to incremental bottom-up improvement alone. Just as performance has been driven in recent years through a sustained and well-resourced programme combining targets, PPAF measures, better data, PSU intervention, HMIC scrutiny and public accountability, so a much more concerted effort is now required to improve resource management and productivity. This will mean combining local innovation, central co-ordination and support, and harder-edged requirements and accountability. Improving the capacity to deliver cost-effectively will need to be driven consistently across the full range of levers, with new capacity and leadership from the centre.

7. A major change programme will, of course, need buy-in and ownership from the service - both representative leaders and the bulk of the workforce. An important element will be constructing a narrative which makes clear this is more opportunity than threat for the service, and that it fits within a wider bargain of treating the police as professionals in return for professional standards of organisational management.

8. But there is also a need for leadership and momentum that can only at this point be provided by the Home Office. This programme cannot be left to the current range of tripartite structures, to an NPJA that will be in transition until well into the CSR period, or to the current capacity within forces. We need to recognise that step change will not happen without an injection of leadership and drive from the Home Office. A key barrier to date has been that the police efficiency and finance officials in the Home Office are overstretched and not in a position to drive major proactive change. Likewise PEG and HMIC have lacked the capacity to provide real impetus even when the solutions are widely agreed upon. Without sustained attention and priority the ideas here will simply gather dust, as will the output of the police intensive review and a succession of PEG and other reform initiatives.

Agenda for a change programme

9. The following sections set out actions that an aligned and concerted improvement programme will require, in 5 key areas:

- Better management data
- Better use of management data
- Spreading best practice
- Skills and capacity
- Governance, levers and incentives

10. The core message is that at the heart of a step change needs to be the right cost and productivity data, proactively used to benchmark and identify good and poor practice, and then to drive for the improvements needed with both hard incentives and high quality support and advice. As a first step, we need agreement that:

- a) Comparative data must be at the heart of driving productivity and VfM in the police for the CSR period.
- b) Standard data will be defined and agreed across the service, with forces mandated to collect it (including by investing in management systems to do so).

- c) Forces should be up skilled to use data proactively to assess and improve operational performance.
- d) Clear processes will compare and benchmark data and hold forces and police authorities to account.
- e) A concerted effort will identify best practice and poor performance against productivity and cost metrics, and drive improvement where necessary.

Section Two: Detailed Proposals

A. Better management data

11. The 2006 NAO report on improving public sector efficiency underlines that robust measurement systems with timely data are critical to any effort to drive significant value for money gains. But management information to link resources to performance remains strikingly thin in the police service. The subjective analysis collected by CIPFA is at a high level and on an annual basis only, and although HMIC uses this as a basis for high level financial analysis there is little evidence that forces are using this as a management tool or exploring the variations and weaknesses it suggests. The objective analysis required by the BVACOP regime displays operational policing in a single category only and is not useful for management decisions. Activity Based Costing is still developing, and is often treated as a process at arms-length from the day-to-day management of a force. Benchmarking is embryonic and limited to back office and administrative functions. Internal management information is patchy and inconsistent. There is little evidence that cost and cost-effectiveness information is integrated into forces' performance monitoring or operational tasking and evaluation.

12. Three things are needed in particular:

- Unit costs of both administrative and operational activities, with an ability to compare these on a standardised basis with best practice / standard costs in the police service and in the public and private sectors;
- Productivity information, including down to the level of teams and individuals, as a key tool for comparative performance management and to identify best practice and where improvement is most needed;
- To underpin both of these, activity analysis, from multiple sources if necessary, to get a much better understanding of where time is consumed.

13. It is important that senior leaders in the Home Office and police service realise this is a critical and not just a technical issue: without standardised, timely and detailed information it will be impossible to drive sustained improvement whether top-down or bottom-up.

ACTION NEEDED:

- A1. In the short term, diagnostic exercises and activity sampling to identify what works best in key processes and the data needed to monitor and improve these.
- A2. Longer term, investment in information systems that enable managers to base decisions on clear timely data that links input costs to specific outputs. A strategic approach to IT procurement is an essential element, with a single strategy to create integrated systems that capture activity and cost information automatically and continuously. Particular attention is needed to use of case and custody, command and control and Airwave.

- A3. A central effort to define, and if necessary to mandate, minimum requirements for the information that forces should collect on a standardised basis.
- A4. Develop ABC further with a focus on costing processes. Encourage more varied approaches to activity analysis, alongside the two-week time sheet exercise, including focused sampling and analysis around key processes or in support of key management decisions. Consider an external reviewer / best practice champion to drive the quality of activity analysis across forces.
- A5. Ensure that a key benefit delivered by the shared services programme is collection of timely and operationally useful management and cost data on a consistent basis.
- A6. Developing efficiency metrics in APACS will not deliver this agenda on its own. The metrics will be a useful new incentive, but by their nature high level, and carefully negotiated. This programme needs to go further, building a structure of continuous, detailed (and where necessary approximate) management data to underpin APACS, and give force leadership a close grasp of what drives their overall APACS scores.

B. Better use of management data

14. While the availability of comparative cost and productivity data ought to provide its own impetus for improvement, it needs to be recognised that use of the currently available data is patchy at best, and that a central effort is needed to maximise the potential of the information available across the service. For example, the 2006 NAO report emphasises that benchmarking of common activities must become standard practice across the public sector, but current practice shows that the police service has been slow to recognise the benefits of this kind of comparative approach to resource management (despite the proven benefits of the comparative approach in PPAF). The 2005 Data Analysis work and the 2006 intensive review have both demonstrated the potential of comparative benchmarking, but initial work done in the HO has not been followed up by forces. Some informal police benchmarking has begun in IT, HR, fleet management, procurement and finance, but it tends to be held closely by the area specialists, and there is a reluctance to draw operational conclusions and little interest from force leadership or Police Authorities.

ACTION NEEDED:

- B1. Mandate regular benchmarking of key operational and administrative costs against other forces, and against commercial and public sector comparisons (productivity and cost of volume investigation work such as burglary; for example response call centres benchmarked against AA/RAC). Encourage variance analysis of forces' costs against standard cost. It will be important to resist the argument that police activity is not comparable with external benchmarks: the point is to establish the comparison and then explore and understand the reasons for any variation.
- B2. Identify [10-20] key efficiency metrics (both financial and non-financial) in key processes of high volume or high variation, and produce scorecards and league tables of how forces are performing, including integrating this data into IQuanta or an equivalent.

- B3. On the basis of the above, move in due course to differentiated efficiency targets for different forces, which set local targets that grip poor productivity much more closely.
- B4. Introduce cost-output ratios and cost-effectiveness information into existing performance data and assessment (PPAF/APACS; HMIC; Police Authority; internal performance monitoring; IQuanta). Where one area outperforms another is it because greater resource has been allocated, or is it genuinely greater cost-effectiveness of performance?
- B5. Require resource use to be planned and evaluated for all proactive tasking decisions, including within the NIM processes.
- B6. Better use of existing ABC and CIPFA data. Bring together a) tools to allow forces easily to compare ABC analysis of their costs with other forces; b) HMIC's financial assessments; c) the 2005 Data Analysis Project, into a revived work stream that presses forces to understand the reasons for variation, identify improvements needed and be held accountable for implementing changes through force efficiency plans. HO to date has lacked the capacity to produce the kind of productive management product that the service was led to expect of ABC.

C. Spreading Best Practice

15. There is clear scope for the centre, whether Home Office, PSU or NPJA to play a much more proactive role in identifying and spreading best practice, including building an evidence base that will persuade forces of the case for key improvements, identify which will have the most impact, and provide a sound basis for harder edged levers from the centre if and when necessary. The example of the NHS is instructive, where significant resource has been invested in identifying key processes for improvement and efficiency metrics to capture them, and providing detailed information and support to help improvement. In policing, PSU has played this role effectively in tackling poor performance. A similar investment is needed to drive cost-effectiveness from the £13bn of public money spent on the police

ACTION NEEDED:

- C1. A central function, adequately resourced, needs to identify and research key processes and high impact changes for VfM/cost-effectiveness (e.g. custody management; rostering and over-time management). Crucial to build up hard evidence of how and why specific frontline process improvements lead to serious productivity benefits.
- C2. Promulgate best practice with well-evidenced material for forces, including tip sheets; process templates; and a simple and tangible improvement map.
- C3. Support to implement, including from 'improvement leaders' with a proven record of operational delivery to champion the most important improvements.
- C4. Require efficiency plans to include action to adopt best practice in the high impact areas, and HMIC to report on progress in these areas.

- C5. Make modernisation funding available e.g. for key demonstration sites, but only if tied to much more disciplined resource management requirements.
- C6. Clarity about the respective roles of HO, PSU and NPIA in driving cost-effectiveness improvements, to ensure adequate resource and leadership is behind the improvement agenda. Assuming NPIA is given a key role, this work should then be given genuine priority and resource in NPIA as it launches – it cannot be left to a later phase of NPIA's evolution. NPIA should proactively learn lessons from VfM modernisation and improvement efforts in DH and elsewhere. Home Office will need to make this explicit in NPIA's objectives and priorities.

D. Skills and capacity

16. Financial management capacity has been identified by the police workforce intensive review as a key skills gap. The concentration of expertise to deliver the improvement programme set out here is not currently available either in the Home Office, in forces, or in ACPO and NPIA teams. There is widespread agreement that the police service culture fails to focus people on maximising the productivity of workforce time. It is important to be clear that we mean here not just the resource and financial managers in the service (though their role is crucial), but a wider shift in skills, mindset and culture extending from strategic decisions by senior leadership to the daily tasking and supervision of officers and teams.

ACTION NEEDED:

- D1. A clear central effort to identify and promulgate what best practice in resource management looks like in the police context. This would include the need to devolving realistic budgets with tight accountability; place resource incentives on those making operational decisions; make budget holders face the consequences of over-spend; tie bids for new resources to clear unit cost and output metrics; etc.
- D2. Assess forces' substantive financial management and VfM capability much more rigorously. Both Audit Commission and HMIC have pulled back from this in recent years. As of 2006, the Audit Commission are conducting 'Use of Resources' audits for baseline assessments. These may provide the basis for a more proactive approach, and should be made the basis for clear resource management improvement plans for each force. But it is important to recognise that the assessment currently follows the form of the wider CPA assessment for local government, focusing more on issues of accounting probity than on whether the operational decision makers are able to manage with the resource dimension effectively factored in.
- D3. The importance of integrating effective resource management into operational leadership to be signalled much more consistently and clearly to senior leaders through promotion criteria, training (including on the Command Course) and performance appraisal.
- D4. Find ways to ensure force Finance Directors have the experience and orientation to drive productivity out of police workforce and resources across the sphere of operations. Explore the possibility of identifying minimum standards for what

should be covered in Finance Director job descriptions, qualifications and performance appraisal.

- D5. Define and require an overarching role of force performance directors to focus on productivity and cost-effectiveness. FDs are predominantly accountants, and marginal to core operational leadership, and so not in a position to challenge and plan resources for operational productivity.
- D6. A concerted effort to shift sergeants from supervision to proactive management of teams and individuals to get the greatest productivity - including through the data, training and support available; through performance management and appraisal systems; and through promotion criteria.
- D7. Introduce a resource management qualification for ambitious operational officers. Business management to be a core skill in the induction, training and development of all officers.
- D8. Stimulate secondments out to other sectors, especially for police officers. Develop multiple entry to recruit people with wider resource management expertise into senior positions, including as police officers.

E. Governance, levers and incentives

17. An important policy issue underlying this paper is how to strike the balance between centrally driven targets and mandates and the softer alternative of building consensus and encouraging best practice. It is important to be clear that whether the initiative is seized by the police service through the NPIA, the Home Office through its performance management levers, or the tripartite partners together through the National Policing Board, the current hands-off and fragmented approach to resource management and efficiency cannot continue. The tripartite structure has clear strengths, but it can also mean that there is an absence of momentum and accountability on important issues. We will only make significant progress on the actions set out here if we recognise that the current governance and resourcing of efficiency and resource management is inadequate for the challenge, and move to a clear alternative.

LEVERS TO CONSIDER:

- E1. Positive financial levers including creation of a modernisation fund with tight conditionality and accountability; and earned flexibility from CFF rules, tied to demonstrated progress in resource management.
- E2. Harder-edged financial levers, including differentiated efficiency targets; differentiated efficiency performance factored into police grant allocation; conditionality imposed when forces apply for special grant – particular possibilities here with the Met whose resource management is a particular vulnerability for both Government and police service.
- E3. Hold Police Authorities much more rigorously to account in their duty to scrutinise cost-effectiveness and resource use, including possibly through AC audit and sanction for Chairs where forces consistently fail against new efficiency metrics.

- E4. Consider how Police Reform Act powers of mandation can be used to drive resource management up to a minimum level, push collaboration between forces and the data sharing needed to underpin rigorous benchmarking.
 - E5. Much tighter public accountability for use of resources, with efficiency metrics published.
 - E6. Tighter use of Senior Officer performance management.
 - E7. Insist on a higher standard of resource management expertise in HMIC, underpinning much more substantive assessment of force performance in this area.
 - E8. Mandate collaboration or market testing of key processes where potential gains are clearest (fleet management; call handling; IT support; custody; Finance and HR).
 - E9. Require forces to respond to Audit Commission 'Use of Resources' assessment with Resource Management Improvement Plans, with progress scrutinised in the following year's assessment.
 - E10. A very important early opportunity will be the development of resource management and efficiency metrics to build into PPAF/APACS. These must be designed as part of the wider approach set out here, and clearly aimed at driving key changes in behaviour where the evidence shows impact will be greatest. There is a danger that single efficiency scores will be too abstracted from the specific choices that operational officers confront to really drive behavioural change outside of finance directorates.
18. Finally, the Home Office will need to consider how to handle the MPS within this agenda since it consumes a quarter of police resources in England and Wales. It will be very important to persuade the Met that it has a responsibility to be at the forefront of best practice and to lead the pace of change.

HM Treasury
October 2006