



Rt. Hon Nick Hurd MP
Minister of State for Policing and the Fire Service
Home Office
2 Marsham Street
London SW1P 4DF

3 October 2018

Dear Minister,

Police Settlement 2019/20

Last year the Association of Police and Crime Commissioners (APCC) and National Police Chiefs Council (NPCC) submitted a detailed submission concerning the financial position of policing.

One year on we can reflect that not only did this work deliver improvement in this context but has heralded an unprecedented level of collaboration with the Home Office as part of the forthcoming spending review. We welcome the leadership you have brought to these matters.

This year our submission is briefer and will update on our work on efficiency that you sought progress on as part of the 2019 settlement. We would also ask for further reflection on the original basis of the 2018 settlement so it can be refined for this final year of this spending review. We believe the financial context of the service remains challenging.

As part of the conditions of the precept rise you asked policing to make progress on procurement and back office services. We are pleased to say that we are fully on track to deliver against the specific challenges agreed, with good co-operation from all Forces and PCCs. We expect to provide a further report to your office with details following analysis of 2nd quarter data. In headline terms, by the end of the 1st quarter we have already:

- Delivered £322m against the original target to make £350m procurement savings by 2020
- Delivered £23m of the 3 year £100m procurement savings target, with plans in place to achieve the agreed £40m by year end
- Delivered at least £13m against the 3 year £20m back office savings, of which £8m is due this year
- Developed an outline business case setting out a recommended way forward to improve our collaborative approach to procurement which will be subject to formal agreement by both NPCC and APCC in January 2019



- Developed an outline business case that both sets out and seeks to benefit from the recent collaborations being successfully delivered within Policing. Savings of some £86m have already been identified compared to the initial £123m mooted. This will also be formally considered by NPCC and APCC in January 2019.

While we will update the position at the end of 2nd quarter, we believe the matters have already shown considerable progress and justify further precept flexibility for 2019/20.

We would make the following additional points in the context of the pressure policing is facing.

Last year the grant was frozen and not reduced as in the previous years of the 2015 spending period. This was welcomed. We would invite you to consider whether the freeze at 2017 levels remains an appropriate position for the 2019 settlement.

You will be aware last year we expressed concern at the growing reallocation from the grant to areas outside police forces. We are pleased to see an increased level of scrutiny and transparency in some of these areas. The oversight group that has brought PCCs and Chief Constables together to examine Home Office Technology programmes is welcome given the considerable expenditure and the cost pressure in these areas. The pressures from extended timeframes and the need to sustain legacy systems and equipment mean there are incremental cost pressures on forces beyond those identified in last year's submissions, quantified by the technology oversight group. We feel there is space for further challenge on reallocations in other areas and a need for additional support for base budgets to compensate these increased costs on force budgets from centrally managed programmes.

The recent Public Sector Pension Valuation 'Directions' from the Treasury indicate the requirement to increase the Employer's Contribution rate from 2019/20 for all unfunded Public Sector Pension Schemes, and so impacting on the Police Pension Scheme. The scale of these changes are very significant; our assessment at this time is they will require additional funding of £165 million. This is 60% of any precept rise and effectively all of the precept increase beyond that which is needed just to cope with inflation, even with the help of the on-going efficiency savings. The precept flexibility afforded in 2018 was clearly set out by yourself " *..to enable(s) PCCs to increase funding by over a quarter of billion pounds in 2018/19 and identifies opportunities for efficiencies, which should enable you to make appropriate provision for likely cost increases next year within your financial plans*". These charges coupled with known cost pressures clearly do not achieve this objective and go against the objective of public sector pension reform as framed by the Hutton Report. We feel it is important you fully understand the action needed in response to such a significant financial change.

NPCC and APCC representatives are working closely with Home Office Officials on the implications of this. Whilst part of this work will look at how to distribute this impact we need to be clear we do not feel these changes and the way they have been determined to be reasonable and the impact on the two year workforce plans put together in the light of last year's two year settlement will be dramatic. Effectively the additional funding for capacity identified as being needed to cope with current levels of demand will be completely removed. The effect on individual forces will vary, but combined with the differential impact of the flat rate precept increase will leave some forces struggling to set a balanced budget without further significant reductions in service. We would request that you seek the additional £165m support from Treasury; that any residual impact is dealt with through an accounting

treatment in line with the long-term nature of this prospective liability such that it does not impact on 2019/20 spending plans; and that you consider lifting the referendum cap on council tax precept further, or completely, to allow forces scope to deal better with the pressures we have outlined. We note that the level of demand on policing services has continued to rise strongly in the last year.

You will receive separate correspondence from NPCC to the Chief Secretary to the Treasury on these matters. We hope we can secure your support in addressing our deep concerns

The one year settlement of Counter Terrorism Policing is rapidly approaching a point where Chief Constables and PCCs will need to act if spending is required to slow. We are aware conversations continue on this matter with the Security Minister. Given the threat to national security increased certainty is required.

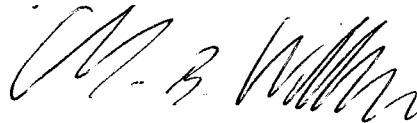
The capital grant position for forces is a growing area of concern. As forces reserves are reducing and the dependency on technology is increasing. We feel this area will need further attention as part of the spending review work.

We continue to welcome your attention and engagement on these matters as we work together on the forthcoming spending review.

Yours sincerely,



Chief Constable Sara Thornton CBE QPM
Chair, National Police Chiefs' Council



PCC Mark Burns Williamson OBE
Chair, Association of Police & Crime Commissioners