



# Home Office

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Thank you for your letter of 20 December and the attached transcript of the 9 December meeting of the Public Accounts Committee of the National Assembly for Wales. I am sorry for the delay in my reply.

You highlight two concerns raised by the Public Accounts Committee: the first, that the Police Allocation Formula (PAF) 'favours' urban Police Forces and, the second, around the 'unfavourable' treatment of Welsh Police Forces as a result of the Area Cost Adjustment (ACA).

There is no evidence to state that the PAF favours urban forces. The PAF calculates the expected levels of police workload in Police Force areas and allocates funding based on relative need. This ensures that Forces which have a greater need for policing particular types of crime (e.g. vehicle crime, violent crime) receive a bigger share of the funding than Forces with a lower need. The PAF also takes population density into account to address the specific needs of rural forces.

I also strongly disagree with Mr Bevan's claim in paragraph 55 that the PAF is 'no longer fit for purpose'. The PAF is a robust, credible and transparent predictor of police workloads and has been acknowledged as such by the Police Allocation Formula Working Group and by external consultants who have worked on it. I would, however, welcome close involvement from Welsh policing partners in any future review of the Formula.

I would also like to take the opportunity to clarify comments made by Bethan Jenkins in paragraph 49, and by Chief Constable Mick Giannasi in paragraph 57, relating to precept levels. Both Ms Jenkins and Chief Constable Giannasi suggest that the assumed 4.6 per cent increase in Welsh police precept in each of the next four years was a Government assumption. This is not the case. This assumption was produced by the independent Office for Budget

Responsibility and is based on historic precept growth in Wales. I have always been clear that decisions on the level of precept are for individual Police Authorities and Chief Constables to make.

According to paragraph 52, Mr Bevan also raised the 'unfavourable' treatment of Welsh Forces as a result of the Area Cost Adjustment (ACA). As you may know, the ACA is used in the PAF, and across all of local government, to take into account the difference in the cost of labour and materials. By making this adjustment the Government is ensuring that Police Forces are funded in accordance with need and are not disadvantaged by being situated in a higher cost area, such as in the South-East of England.

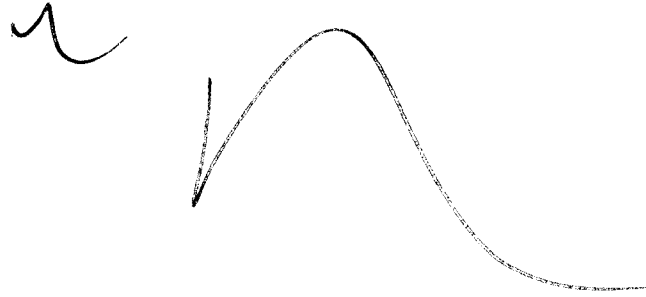
Mr Bevan also suggests that as a result of the application of the ACA, Welsh Police Forces are compelled to increase their precept levels by more than English Police Forces. As I have made clear above, the ACA does not treat Welsh Police Forces 'unfavourably' and decisions on the level of precept are for individual Police Authorities and Chief Constables to make.

I would also like to respond to comments made by Mr Bevan in paragraph 21, suggesting that there is a gap between the savings that a report from the Wales Audit Office thinks are possible and his estimates of the savings required. As the first paragraph of your letter suggests, it appears that Mr Bevan is referring to the recent Her Majesty's Inspectorate of Constabulary (HMIC) report 'Sustaining Value of Money in the Police Service'. This report showed that if each police force managed down its costs to the average of its peers, that would save over £1 billion a year - equivalent to 12 per cent of central Government funding. This report is a good starting point but I am clear that Forces can go significantly further.

First, the HMIC report only includes savings if Police Forces manage down their costs to the average of their peers. The Government want forces to be much more ambitious, aspiring to the levels of the best rather than the average. Second, the HMIC report contains no proposals about savings that could be achieved from pay, procurement or IT services. 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. Ending the practice of procuring goods, services and IT in up to 43 different ways, together with the convergence of police IT will save some £380 million annually by 2014/15. Getting spend on middle and back office functions down to the level of spend typical of the more efficient forces, would save £350 million a year.

I am very encouraged by Chief Constable Giannasi's comments at various points in the transcript regarding the commitment of Welsh Forces to maintaining the frontline. I also welcome the importance that he says Welsh Forces are placing on collaboration. While the Service as a whole has made progress in collaborating on protective services, collaboration in order to save money isn't going ahead quickly enough. Some useful progress has been made but much more can be done to share middle and back offices to save

money. I am confident that by improving efficiency, driving out waste, and increasing productivity, we can make the Police Service stronger even as it becomes leaner.

A handwritten signature in black ink, consisting of a small flourish on the left and a larger, sweeping curve that ends in a horizontal tail on the right.

**NICK HERBERT**