



Police
Remuneration Review Body

Police Remuneration Review Body – Second Report England and Wales 2016

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Chair: David Lebrecht

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Presented to Parliament by the
Secretary of State for the Home Department
by Command of Her Majesty

July 2016



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Police Remuneration Review Body

Terms of reference¹

The Police Remuneration Review Body² (PRRB) provides independent recommendations to the Home Secretary and to the Northern Ireland Minister of Justice on the hours of duty, leave, pay, allowances and the issue, use and return of police clothing, personal equipment and accoutrements for police officers of or below the rank of chief superintendent and police cadets in England and Wales, and Northern Ireland respectively.

In reaching its recommendations the Review Body must have regard to the following considerations:

- the particular frontline role and nature of the office of constable in British policing;
- the prohibition on police officers being members of a trade union or withdrawing their labour;
- the need to recruit, retain and motivate suitably able and qualified officers;
- the funds available to the Home Office, as set out in the Government's departmental expenditure limits, and the representations of police and crime commissioners and the Northern Ireland Policing Board in respect of local funding issues;
- the Government's wider public sector pay policy;
- the Government's policies for improving public services;
- the work of the College of Policing;
- the work of police and crime commissioners;
- relevant legal obligations on the police service in England and Wales and Northern Ireland, including anti-discrimination legislation regarding age, gender, race, sexual orientation, religion and belief, and disability;
- the operating environments of different forces, including consideration of the specific challenges of policing in rural or large metropolitan areas and in Northern Ireland, as well as any specific national roles which forces may have;
- any relevant legislative changes to employment law which do not automatically apply to police officers;
- that the remuneration of the remit group relates coherently to that of chief officer ranks.

¹ The terms of reference were set by the Home Office following a public consultation – Implementing a Police Pay Review Body – The Government's Response, April 2013.

² The Police Remuneration Review Body was established by the Anti-social Behaviour, Crime and Policing Act 2014, and became operational in September 2014.

The Review Body should also be required to consider other specific issues as directed by the Home Secretary and/or the Northern Ireland Minister of Justice, and should be required to take account of the economic and other evidence submitted by the Government, professional representatives and others.

It is also important for the Review Body to be mindful of developments in police officer pensions to ensure that there is a consistent, strategic and holistic approach to police pay and conditions.

Reports and recommendations of the Review Body should be submitted to the Home Secretary, the Prime Minister and the Minister of Justice (Northern Ireland), and they should be published.

Members³ of the Review Body

David Lebrecht (Chair)
Heather Baily
Professor Brian Bell
Elizabeth Bell
Anita Bharucha
Paul Leighton
Christopher Pilgrim
Patrick Stayt

The secretariat is provided by the Office of Manpower Economics.

³ Members of the Review Body are appointed through an open competition adhering to the Commissioner for Public Appointments' Code of Practice. Available at:
<http://publicappointmentscommissioner.independent.gov.uk/wp-content/uploads/2012/02/Order-in-Council-April-2012.pdf>

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POLICE REMUNERATION REVIEW BODY

England and Wales Second Report 2016

Executive Summary

Our 2016/17 recommendations (from 1 September 2016)

- A consolidated increase of 1% to all pay points for federated and superintending ranks.
- A 1% increase to London Weighting and Dog Handlers' Allowance.
- The maxima for South East Allowances to be increased to £2,000 and £3,000 respectively.
- Motor Vehicle Allowances mileage rates for federated and superintending ranks should be the prevailing HMRC rates for essential and casual users. The current structure and values for the essential users' lump sums should remain.

Remit

1. This is our Second Report on pay and allowances for police officers in the federated and superintending ranks. The Government has stated that it would fund public sector workforces for a pay award of 1% a year for four years from 2016/17 and expected these to be applied in a targeted manner. For 2016/17, the Home Secretary referred the following matters to us: (i) how to apply the pay award including consideration of targeting; (ii) any adjustments to London and South East Allowances; and (iii) specific allowances relating to bank holiday working, motor vehicles and the Away from Home Overnight Allowance. (Paragraphs 1.3 to 1.4)

The evidence

2. We conclude the following from our overall assessment of the evidence:
 - Recruitment and retention – the general picture on officer recruitment and retention remains healthy. There are also no issues on the quality of applicants, the number of joiners is meeting requirements and attrition rates are stable. However, there are concerns in some forces around the detective cadre; (Paragraphs 2.24 to 2.44 and 2.72 to 2.74)
 - Motivation and morale – from our visits and the staff associations' surveys, motivation and morale of police officers remains a concern influenced by a range of factors; (Paragraphs 2.45 to 2.49 and 2.75)
 - Economy and labour market – forecasts for 2016 and beyond are less clear than in 2015. However, recruitment and retention indicators across the labour market remain stable with some signs of strengthening and forecasts of rising average earnings growth. A more competitive market could emerge for higher skills; (Paragraphs 2.14 to 2.15 and 2.70 to 2.71)
 - Policing environment – changing demand will require higher skilled roles to be developed under the reform agenda. A national pay framework continues to support mutual aid, collaboration and movement of officers but there is a recognition that greater flexibility would allow some forces to better manage their workforces and better meet demanding and complex operating environments; (Paragraphs 2.11 to 2.13 and 2.66 to 2.69)

- Policing reform – at this stage we have yet to see full proposals on the workforce configuration and a reward structure for the longer term and it might take several years until they are in place. (Paragraphs 2.2 to 2.10 and 2.62 to 2.65)

2016/17 recommendations on pay and allowances

3. Drawing on the evidence and the parties' proposals, we considered a range of options for the basic pay uplift. We do not consider there is sufficient evidence on recruitment, retention and motivation to justify a pay award in excess of the 1% Government limit. However, the Government's policy is in place for a further three years and we will continue to monitor the sustainability of this, given that the labour market position could change rapidly and the effects of prolonged pay restraint could be significant. We also conclude that the reform plans were not sufficiently advanced to merit a non-consolidated pay award as proposed by the National Police Chiefs' Council (NPCC) and Metropolitan Police Service (MPS). There was no detailed evidence on how reform will be implemented, how it would be funded and whether non-consolidated pay awards would release appropriate funds. On targeting of pay awards, we would need to see a consistent picture across forces on areas to warrant a targeted approach. There is also limited room for manoeuvre within the Government's policy for meaningful differentiation, and targeting might be premature ahead of reforms. (Paragraphs 3.10 to 3.16)
4. **We therefore recommend a consolidated 1% increase to all pay points for federated and superintending ranks.** We conclude that this is an affordable, clear and fair approach which should help maintain effective recruitment and retention, and contribute to supporting morale and motivation. In making this recommendation, we note that the parties have interpreted the Government's pay policy as excluding incremental pay progression and we agree that the pay bill costs on progression should continue to be treated as separate from the costs of the annual pay award. (Paragraphs 3.17 to 3.18)
5. We make the following comments and, where appropriate, recommendations on police officer allowances:
 - Local flexibilities – there are some emerging shortage groups, e.g. detectives in the MPS, and we support the development of local mechanisms under the reform programme. This should include the scope for varying remuneration depending on the weight of responsibilities at superintending and inspecting ranks; (Paragraphs 3.19 to 3.27)
 - **London Weighting – we recommend a 1% increase;** (Paragraphs 3.36 to 3.37)
 - **South East Allowances – we recommend the maxima be increased to £2,000 and £3,000 respectively** with chief officer discretion based on firm evidence of local recruitment and retention issues and an assessment of local affordability; (Paragraphs 3.38 to 3.44)
 - London and South East package – a review is planned for 2017 evidence; (Paragraphs 3.31 to 3.35)
 - **Dog Handlers' Allowance – we recommend a 1% increase;** (Paragraph 3.46)
 - **Motor Vehicle Allowances – we recommend mileage rates should be the prevailing HMRC rates with the retention of the current structure and values for the essential users' lump sum;** (Paragraphs 3.47 to 3.51)
 - Public holiday compensation and the Away from Home Overnight Allowances – these issues require further analysis and discussion among the parties to support more developed proposals being brought in evidence to us. (Paragraphs 3.53 to 3.61)

Environment for our 2017/18 pay round

6. Our considerations will be influenced by the broader policing reform agenda. Our focus will be the workforce and pay reforms, particularly the review of the rank and grading structures in policing, a new employment model and the Policing Education Qualifications Framework. There is a degree of risk surrounding the reforms which would be mitigated, in our view, through:
 - Clarity of vision – the rationale for workforce and pay reform is acknowledged but a clearly articulated vision is required; (Paragraph 4.6)
 - Leadership and consensus – reforms will only be effective through a collaborative approach across all 43 forces on design and implementation. The NPCC will be the lead but will require a joined up approach with all forces and the support of the Home Office and Ministers will be crucial; (Paragraphs 4.7 to 4.8)
 - Funding and resources – adequate provision for design, implementation and transition; (Paragraph 4.9)
 - Engagement – effective and meaningful engagement with the parties and the workforce. The Police Consultative Forum would appear to be an appropriate vehicle to enable all parties to engage and contribute to pay proposals. (Paragraph 4.10)
7. In this our Second Report we have been able to review and refine our processes to deliver our recommendations. Pay Review Bodies provide a tried and tested mechanism and rely on effective supporting processes and data gathering. It is for the parties to determine these arrangements and we note these are evolving and will take time to operate to all parties' satisfaction. To support this development we put forward our requirements including: early consultation across the parties on priorities and remit matters to produce a timely remit letter; a firm evidence base, on which we comment further in Chapter 4; and timely and comprehensive proposals. These requirements should allow for more mature pay proposals, particularly under the reforms, to be presented to us in evidence and a more consistent national picture of workforce issues. We ask that supporting processes are co-ordinated, sustainable and adequately resourced to ensure maximum value from the Review Body. (Paragraphs 4.13 to 4.20)
8. Our report sets out some evidence and data gaps. Specifically, we advocate a regular national survey of police officers, established by the NPCC, to enable a comprehensive assessment of attitudes to important aspects of their work and views on the remuneration package, particularly to pick up trends in morale and motivation. (Paragraph 4.20)
9. Looking forward, we will continue to review the guiding principles and main areas for our five-year work programme and how these fit with the reform agenda. (Paragraphs 4.23 to 4.24)

David Lebrecht (*Chair*)
Professor Brian Bell
Anita Bharucha
Christopher Pilgrim

Heather Baily
Elizabeth Bell
Paul Leighton
Patrick Stayt

8 June 2016

CHAPTER 1 – INTRODUCTION

Introduction

- 1.1 This is our Second Report since we were established in 2014 and it contains our 2016/17 recommendations for police officers up to and including the rank of chief superintendent in England and Wales. We make our independent assessment of the evidence and recommend on the remit matters referred to us by the Home Secretary including how to apply the 2016/17 pay award, in the light of the Government's public sector pay policy, and specific police officer allowances.

Our 2015 Report

- 1.2 Our First Report was submitted to the Government on 12 June 2015 setting out our recommendations on police officer pay and allowances (see Appendix A). The Government accepted our recommendations in full on 16 July 2015.

Our remit for 2016/17

- 1.3 On 19 August 2015 we received the Chief Secretary to the Treasury's (CST) letter to all the chairs of the public sector Pay Review Bodies (Appendix B). This letter outlined the 2016/17 public sector pay policy in that the Government would fund public sector workforces for a pay award of 1% a year for four years from 2016/17. The Government expected pay awards to be applied in a targeted manner to support the delivery of public services and to address recruitment and retention pressures.
- 1.4 The Home Secretary's remit letter of 9 November 2015 set the context for our deliberations (Appendix C). It reiterated the Government's public sector pay policy and the continuing need for workforce and pay reform in policing. The Home Secretary referred the following matters for recommendation in 2016/17: (i) how to apply the pay award including consideration of targeting; (ii) any adjustments to London and South East Allowances; and (iii) specific allowances relating to bank holiday working, motor vehicles and the Away from Home Overnight Allowance.

Parties giving evidence

- 1.5 In January 2016, we received written evidence from the parties listed below and heard oral evidence in March 2016 (written evidence is available through the links in Appendix D):
- The Home Office (including economic evidence from HM Treasury);
 - The National Police Chiefs' Council (NPCC);
 - The Association of Police and Crime Commissioners (APCC);
 - The Metropolitan Police Service (MPS);
 - The Police Federation of England and Wales (PFEW); and
 - The Police Superintendents' Association of England and Wales (PSAEW).
- 1.6 The London Mayor's Office for Policing and Crime (MOPAC) wrote to us in response to our requests for comments on other parties' evidence. We also received a submission from an individual officer who raised helpful detailed points and examples on the issues under consideration.

Visits to police forces

- 1.7 Our visits are an important part of our independent process as they give us first hand views from police officers and senior management on pay and related matters. They also allow us an insight into the challenges faced by police forces and individual officers, the different operating environments and a greater understanding of police officers' roles.
- 1.8 Between September and November 2015 we were able to visit a range of police forces in England and Wales: West Midlands Police; Durham Police; Surrey Police; Gwent Police; and the Metropolitan Police Service. We also visited the Police Service of Northern Ireland. We are grateful to those who organised and participated in the visits. We were able to meet police officers at all ranks (including probationers). We also met officers in specific and specialist roles and those with a range of management responsibilities. We heard several strong messages around the nature and complexity of workload, morale and motivation, perceptions on the value the Government places on police officers, concerns around pay levels and pay awards, and specific aspects of the pay package including pensions and allowances. Throughout this report, we draw on these contextual messages in our assessment of the evidence on police officer pay and allowances.

Our overall approach

- 1.9 The cornerstone of our approach is our independence. While we are a statutory body which considers matters referred by the Home Secretary, our standing terms of reference allow us to review broader aspects of police officer pay and to take a consistent, strategic approach. With this in mind, it is important for us to consider the unique role of police officers and restrictions placed upon them. Police officer recruitment, retention and morale are key considerations to underpin our pay recommendations. In addition, our terms of reference draw on wider aspects of policing such as different operating environments for forces, and the role of police and crime commissioners (PCCs), and the College of Policing. Our considerations also encompass the relevant legal obligations on the police service and relevant changes to employment law. We are grateful to the parties for their evidence on all these elements which help us take a strategic and independent view. We set out the evidence on these areas and our conclusions for 2016/17 in Chapter 2.
- 1.10 Our recommendations must be evidence-based. We therefore draw on a number of strands of evidence including: the context of the CST's letter and the Home Secretary's remit letter; the parties' written and oral evidence submissions; police workforce developments, such as through the College of Policing; the economic and labour market context; and wider pay and workforce research. Our recommendations on police officer pay and allowances for 2016/17 are in Chapter 3.
- 1.11 This is the second time we have been through our process. We welcome the parties' engagement throughout and acknowledge their efforts to improve the evidence base. We have some concerns about evidence and data gaps which we set out in Chapter 4. The arrangements to support our process are newly established and we consider how they might be made more effective for all parties concerned starting with determining matters for the remit letter, through to initial discussions, sharing and improving evidence, developing pay proposals and identifying issues that can be resolved without recourse to our annual process. Clear and effective supporting arrangements will also aid the development and implementation of forthcoming reforms. We comment further on these in Chapter 4.

Environment for our considerations

1.12 In our 2015 Report we explored how pay development work might be taken forward under a five-year programme. Extensive changes were made to police officer pay and conditions following the Winsor Review that are still working through. Moving forward, the College of Policing's Leadership Review⁴ will have significant implications for police officers' pay and conditions. The NPCC has led this ongoing development, specifically the review of the rank structure. We summarise the evidence on these broader developments in Chapter 2 and comment on their relationship with 2016/17 pay recommendations in Chapter 3. The reform agenda will feed into configuring a police workforce to meet changing demands requiring higher skills levels, the advent of advanced practitioners and different career pathways. In Chapter 4, we consider the longer term implications for police officer pay and how these might influence our deliberations in the coming years.

⁴ College of Policing (June 2015), *The Leadership Review*. Available at: <http://www.college.police.uk/What-we-do/Development/Promotion/the-leadership-review/Pages/The-Leadership-Review.aspx>

CHAPTER 2 – THE EVIDENCE

Introduction

2.1 This chapter sets out and reviews the key points from the parties' evidence submissions and our own analysis of the main trends in police workforce and earnings data. The sections broadly align with the elements of our terms of reference starting with the policing reform agenda and the policing environment, before looking at: the economy and labour market; police officer earnings; workforce, recruitment, retention and morale; the Government's pay policy and affordability; and legal obligations and changes in employment law. We conclude this chapter with our assessment of how this evidence sets the context for our pay recommendations in Chapter 3.

Police reform agenda

2.2 The Home Secretary's remit letter set out her wish to build on previous achievements to finish the job of police reform. A police service was needed that was flexible, professional and able to deal with the changing face of crime. Workforce reform would be critical and the Home Secretary was keen to support police leaders by increasing flexibility, allowing movement in and out of policing, increasing and introducing skills, and achieving a more diverse workforce mix. The Home Secretary stressed that the reform work was being driven forward by the police themselves.

2.3 The **Home Office** said that the outcome of the 2015 Spending Review and Autumn Statement enabled the police to continue adapting to emerging crime threats and included a renewed focus on workforce reform. The Home Office highlighted further changes, particularly incentives and levers for improving leadership and professionalism, and opening up career pathways. It said it was providing a suite of tools for the police to transform and create a flexible workforce for chief officers with their PCCs (and equivalents) to use. The Home Office described the longer term aim for a modern pay structure aligned to roles, competence and skills instead of one rooted in time-served progression. By May 2016, progression would be conditional on achieving a satisfactory annual performance appraisal.

2.4 The **National Police Chiefs' Council (NPCC)** pointed to a possible framework for reward in the future based on: a basic national pay structure; local supplements; a link between pay and contribution, competence and specialist skills; a review of increments; consolidated allowances; and consistency between police staff and officers where appropriate. The NPCC's evidence highlighted a series of police workforce reforms. Those relevant to our work are:

- (i) The Policing Education Qualifications Framework⁵ which set minimum educational qualification levels by rank or level of practice;
- (ii) The review of the rank and grading structures in policing across warranted and staff roles; and
- (iii) A future workforce framework.

2.5 The **Metropolitan Police Service (MPS)** highlighted the key themes of: professionalisation – a drive to recognise and reward along the lines of a profession; maintaining morale – recognise added value and expanded roles financially and through career development; direct entry for specific roles; and contribution pay to replace time-

⁵ College of Policing (February 2016), *Policing Education Qualifications Framework*. Available at: http://www.college.police.uk/What-we-do/Learning/Policing-Education-Qualifications-Framework/Documents/PEQF_consultation_final_290116.pdf

served progression. The MPS saw 2016 as the start of a Reward Reform project which sought flexibilities (detailed in Chapter 3) to enable targeted non-consolidated lump sum payments with chief officer discretion to distribute, accelerated progression, local allowances to meet local needs, and reformed bonus payments. From 2017 onwards, the MPS sought reforms to provide pay flexibility in Police Regulations and introduce greater consolidation and discretion for the London package.

- 2.6 The **staff associations** said that both the Leadership Review and the NPCC projects contained far reaching ideas still in development and were not at a stage where the pay system could be revised in order to support and embed them. Some work would, if implemented, require new legislation. The staff associations were cognisant of the likely changes ahead and the need to incentivise appropriate change in the future.

Review of the rank structure

- 2.7 The **NPCC** told us that the aim was to establish a different management hierarchy based on responsibility rather than time-served or salary with some levels covering more than one pay grade and progression linked to competence and contribution. The NPCC emphasised:

- Flatter organisational structures having many benefits including ease of communication, greater agility and fewer decision-making stages;
- The uniqueness of policing; and
- The need for culture change, with more emphasis on what police officers and staff know not what rank they hold.

- 2.8 The NPCC said work to date had defined five broad work levels as follows: (i) force leader; (ii) service/function leader; (iii) manager/expert adviser; (iv) team leader/technical lead; and (v) service deliverer. These were fundamental organisational strata rather than grades or pay levels and each would come with more than one pay link. There was the potential for streamlining more senior roles where the critical ingredient was expertise rather than responsibility for resources. The NPCC added that legislative changes might be required. The **staff associations** noted the NPCC's work to assess the rank structure including preliminary ideas, borrowed from industry, that most organisations should have five levels.

- 2.9 On the future workforce framework, the NPCC cited work commissioned by the MPS which will set out a vision for the workforce and what levers exist to deliver the vision. The framework concentrated on a timeframe to 2020 and drew heavily on the Leadership Review and other national work. It covered the workforce lifecycle from attraction, development, reward and then to exit/re-entry.

Threshold assessments

- 2.10 The **Home Office** and the **NPCC** commented that the College of Policing was developing the foundation threshold assessment for constables at pay point 3 for implementation from September 2016 and, with performance assessment standards, these would make a strong link between pay and competence. An evaluation of the 2015 pilots was being carried out. The Home Office and the NPCC confirmed that some other elements of the threshold work were likely to be overtaken by the Leadership Review, particularly the advanced practitioner. The **staff associations** said that they had been fully engaged in these developments but they had argued that, if introduced, tests must be reliable and capable of consistent application. An equality impact assessment had been requested. The staff associations noted that the tests at advanced level had been suspended, following pilot work showing that supervisors did not feel confident to make decisions that determine pay based on the test.

Policing environment

- 2.11 The **NPCC** said that many traditional crime measures had seen reductions in recent years but accelerating globalisation and the changing nature of demands on policing presented new challenges and complexity. High-harm cases had seen significant increase and these were complex and staff intensive with officers subject to high levels of personal accountability and public scrutiny. Serious and organised crime generated new threats while terrorism had become more fragmented and harder to combat, and the threat from cyber crime was growing. An aggregated response was needed bringing together resources from a number of police forces and, while the 43 police force structure would remain, there will be an increasing move to layer police services at the most appropriate level (national, cross-force or local). Forces had responded well to austerity and operational demands but transformation and innovative use of technology would intensify and there would be an increased focus on how specialist capabilities were delivered.
- 2.12 The **MPS** cited its size, complexity, breadth and volume of crime, and its significant national responsibilities. The MPS reiterated the general downward trend in recorded crime but said a few crime types had seen an increase in London. The MPS reported that over 80% of calls to the police related to non-crime related incidents many of which were not accounted for in the statistics. The **Mayor's Office for Policing and Crime (MOPAC)** added that the specific nature of the London context should be recognised given the MPS' national, as well as London specific, responsibilities.
- 2.13 The **staff associations** said that police officers' roles had changed and become more arduous influenced by: increased workloads and responsibilities due to budget cuts and restructures; changes in crime requiring more sophisticated skill sets; increased recruiting requirements; and expanding roles due to the reduction in partner agencies capacities. They noted that some types of crime had increased impacting on the skills needed by police officers, for example, to keep up with the pace of changing technology and to deal with vulnerable people. The substantial change in skill requirements had yet to be taken into account in the remuneration system.

Economic and labour market context

- 2.14 The written evidence from the parties was submitted to us in January 2016 and therefore covered the economic and labour market indicators at that time. We summarise the key points from this evidence below and make our own assessment of the more up-to-date data later in this chapter.
- 2.15 The Home Office evidence was accompanied by the **HM Treasury** assessment of the general economic outlook. The key points were:
- The UK economy grew faster in 2014 than any other major advanced economy with growth at 2.9% and the Office for Budget Responsibility's (OBR) growth forecast at 2.4% in 2015;
 - Since 2010 the deficit had halved as a share of GDP and the Government had decided to maintain the same pace of reduction in the headline measure of public sector net borrowing to reach an overall surplus of £10 billion in 2019/20;
 - Public sector pay restraint had been a key part of fiscal consolidation;
 - Inflation remained low during 2015 and was forecast by the OBR to return to the 2% target in the medium term;
 - Headline employment and unemployment figures were strong in 2013 and 2014, and the OBR expected slower employment growth with unemployment stabilising;
 - Earnings growth in the private sector had been stronger throughout 2015 with total pay growth (excluding bonuses) being 2.3% (in the three months to October 2015) and public sector pay growth 1.3% over the same period; and

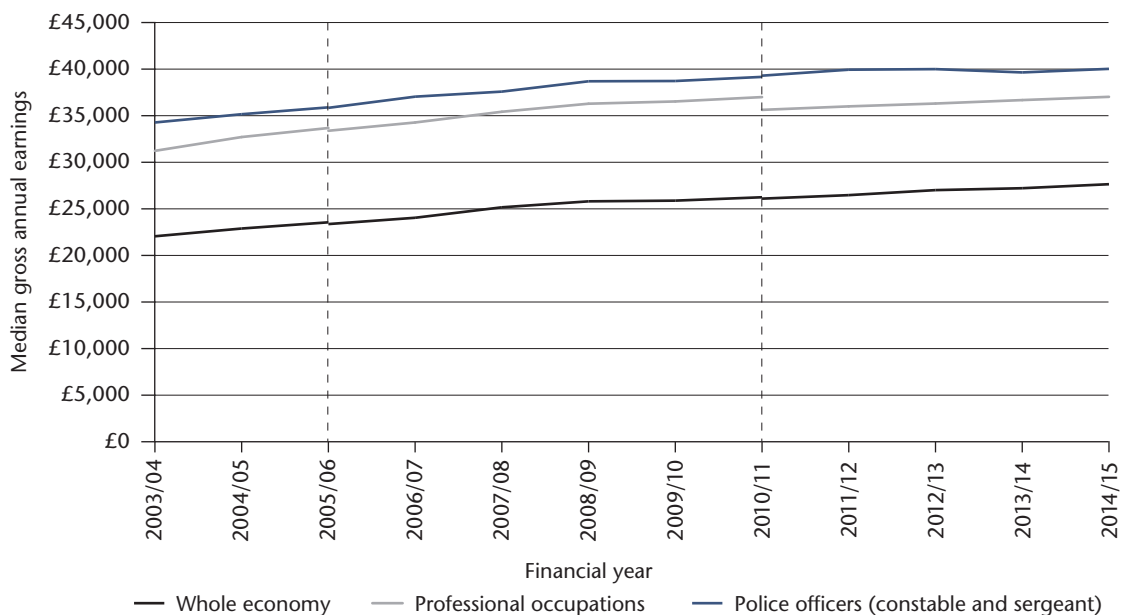
- Analysis by the Institute for Fiscal Studies (IFS) and the Office for National Statistics (ONS) showed that over the last few years public sector workers had benefitted from higher pay growth on average compared with private sector workers with similar characteristics. The pay differential was narrowing but overall public sector remuneration continued to be above the market when taking employer pension provision into account.

Police officer earnings

2.16 We examined the earnings of police officers using the ONS Annual Survey of Hours and Earnings (ASHE) and the Police Earnings Census run by the Home Office. ASHE is a sample survey, published around November each year, which provides headline earnings estimates for all occupations across the economy; for police officers it produces figures jointly for constables and sergeants and, separately, for the grouping of more senior ranks. The Police Earnings Census, conducted in its present form since 2010/11, covers all police officers and permits detailed analysis of the components of earnings by rank.

2.17 Chart 2.1 draws on the ASHE data to compare median full-time⁶ earnings of police officers (constables and sergeants) with the whole economy and professional occupations (which tend to be graduate professions). It shows that police officers saw an increase in median full-time earnings of 1.0% in 2014/15, the latest year that data is available, offsetting the fall of 0.9% in 2013/14. Median full-time earnings for the whole economy rose slightly faster than those for police officers (1.6% higher than in 2013/14). Median full-time earnings for police officers were 45% higher than those for the whole economy and 8% higher than for professional occupations.

Chart 2.1: Median gross full-time annual earnings, United Kingdom, 2003/04 – 2014/15



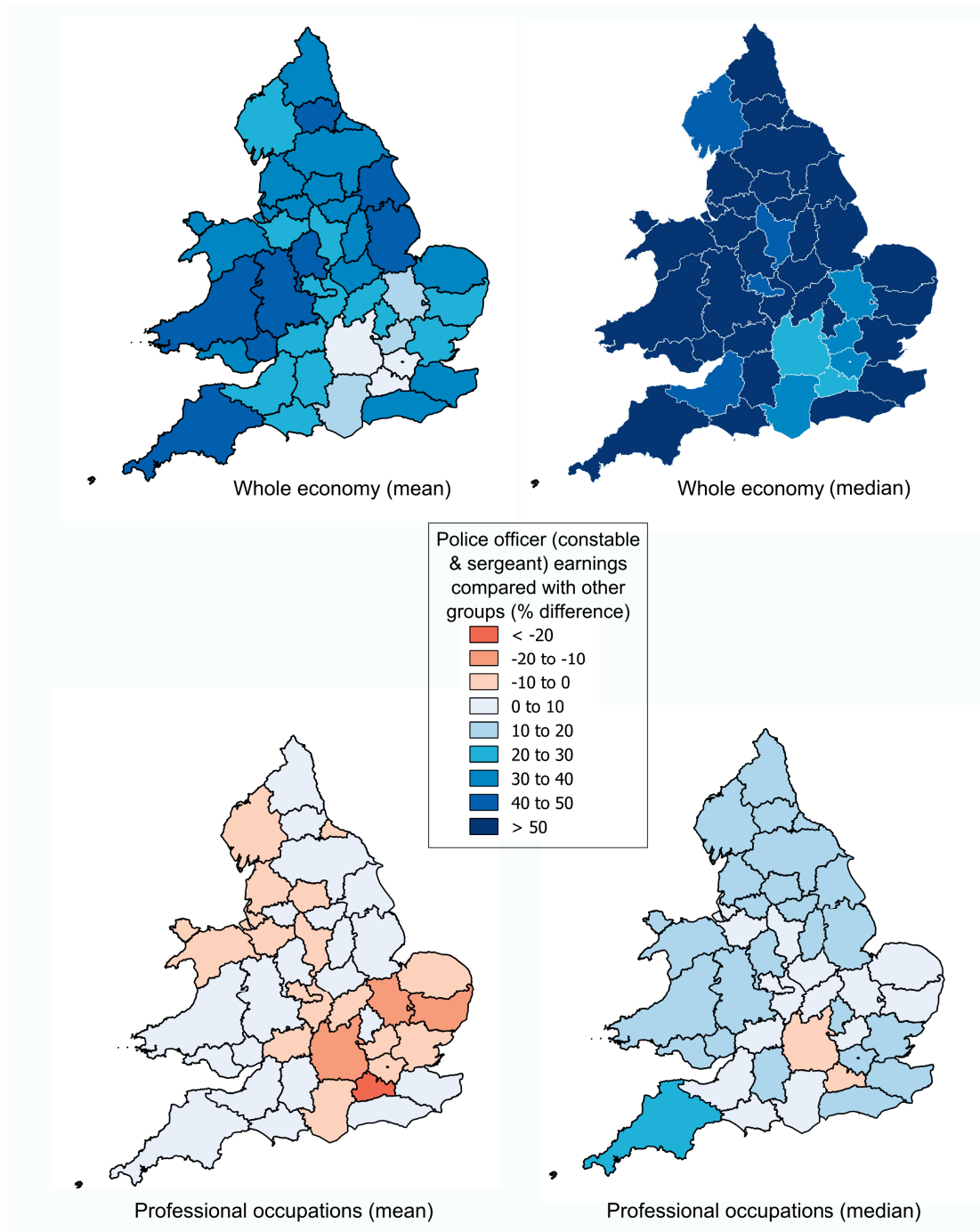
Source: Annual Survey of Hours and Earnings, ONS.

Note: There are discontinuities in the annual series due to changes in sampling methodology (in 2005/06) and to the Standard Occupational Classification (in 2010/11).

⁶ Comparisons have been restricted to median earnings for full-time workers. The median is the value below which 50% of workers fall. It gives a better indication of typical pay than the mean as it is less affected by a relatively small number of very high earners and the skewed distribution of earnings. Using full-time earnings controls for any differences caused by different mixes of full- and part-time workers.

2.18 The national picture shown in Chart 2.1 hides substantial variation by force. Chart 2.2 compares police earnings with various comparator groups at force level (excluding City of London). Median police earnings are higher than the median for the whole economy in all police forces, but this lead ranges from around 30% in Surrey and Thames Valley to nearly 80% in Dyfed-Powys. The median earnings of professional occupations are lower than those of police officers in all forces other than Surrey and Thames Valley.

Chart 2.2: Police full-time pay lead relative to other groups, by force, 2013/14



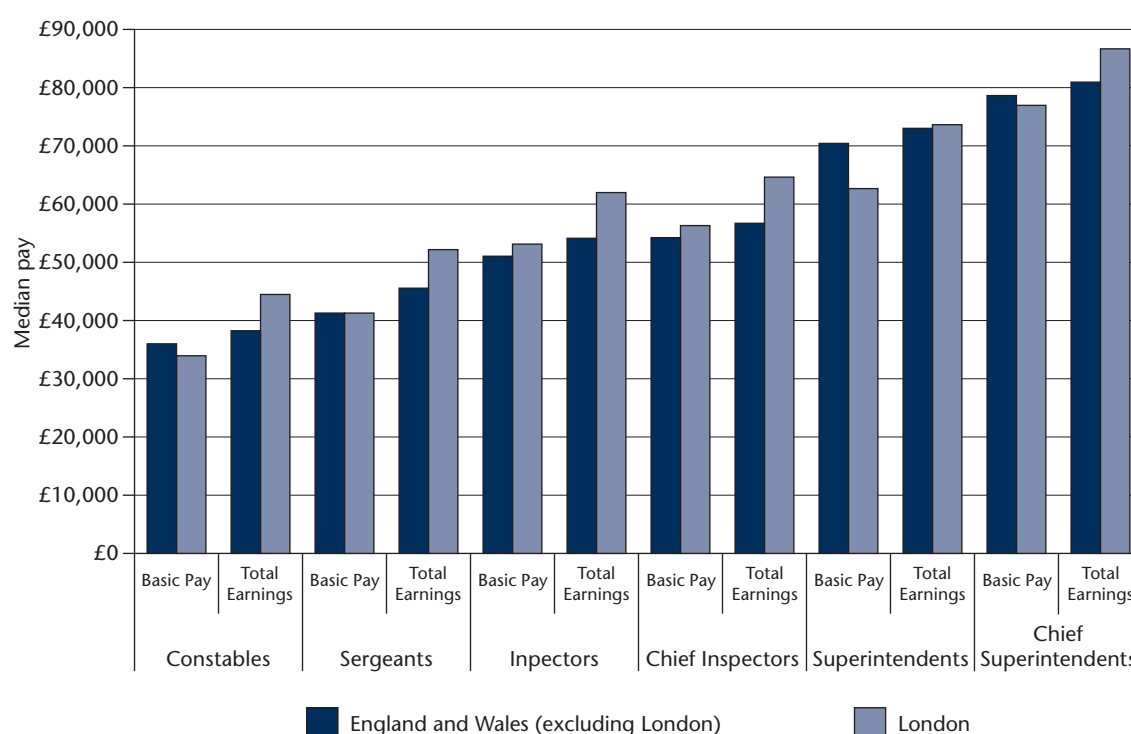
Source: OME analysis of: Annual Survey of Hours and Earnings data, ONS; and Police Earnings Census data, Home Office.

Note: Police earnings for Cumbria, Northumbria and Nottinghamshire relate to 2012/13.

2.19 The following figures are based on the latest available Police Earnings Census data (covering the financial year 2013/14). Although a year old, the data do provide a useful insight into the range of earnings received within and across ranks, and the take-up and value of individual pay components. Chart 2.3 shows median basic pay ranges from nearly £34,000 for constables in London to approximately £79,000 for chief superintendents in the rest of England and Wales. Inspectors and chief inspectors are the only ranks to have higher basic pay scales in London than elsewhere in England and Wales, resulting in higher median basic pay for those ranks in London. Median basic pay for most other ranks was higher outside London, due to variation between the two areas in the distribution of officers on the pay scales. Nearly half (46%) of constables outside London are at the top of the pay scale, whereas in London less than a third (31%) have reached that point.

2.20 Chart 2.3 also shows median total earnings for each rank. Total earnings comprise base pay and additional earnings such as overtime and allowances. Median total earnings range from over £38,000 for constables outside London to around £87,000 for chief superintendents in London. Median total earnings are higher in London than the rest of England and Wales for all ranks. This is due to London based officers receiving London Weighting, and higher rates of location and replacement allowances.

Chart 2.3: Median basic pay and total earnings, by rank, full-time officers, England and Wales, 2013/14



Source: OME analysis of Police Earnings Census data, Home Office.

2.21 Tables 2.1 and 2.2 below show the percentage of full-time officers in receipt of specific allowances and overtime (Table 2.1) and the median values of those payments for those officers who were in receipt of the particular payments (Table 2.2). Key points include:

- The vast majority of eligible officers received Unsocial Hours Allowances and overtime payments, this included over 90% of constables and sergeants;
- Significant percentages of eligible officers received Replacement Allowance (available to officers who joined the police before September 1994) and Competence Related Threshold Payments (which were phased out from April 2013 to April 2016).

Table 2.1: Percentage of full-time officers in receipt of additional pay components, England and Wales, 2013/14

	Constable	Sergeant	Inspector	Chief Inspector	Supt.	Chief Supt.
Location Allowance	41%	37%	31%	34%	28%	27%
London Weighting	26%	28%	25%	29%	25%	24%
Replacement Allowance	20%	49%	73%	75%	87%	90%
CRTP	32%	50%	48%	33%	–	–
Unsocial Hours Allowance	94%	91%	80%	69%	–	–
Away from Home Overnight Allowance	7%	7%	6%	7%	–	–
Hardship Allowance	3%	3%	2%	1%	–	–
On-call Allowance	6%	11%	27%	44%	–	–
Overtime	93%	90%	–	–	–	–
Other payments (e.g. Dog handlers, secondment allowances)	3%	4%	5%	13%	13%	18%

Source: OME analysis of Police Earnings Census data, Home Office.

Table 2.2: Median value of additional pay components, full-time officers, England and Wales, 2013/14

	Constable	Sergeant	Inspector	Chief Inspector	Supt.	Chief Supt.
Location Allowance	£4,338	£2,000	£1,011	£1,011	£1,011	£1,011
London Weighting	£2,279	£2,279	£2,279	£2,279	£2,279	£2,279
Replacement Allowance	£3,067	£3,232	£3,427	£3,438	£3,760	£3,760
CRTP	£900	£900	£900	£900	–	–
Unsocial Hours Allowance	£623	£602	£316	£122	–	–
Away from Home Overnight Allowance	£300	£300	£300	£300	–	–
Hardship Allowance	£180	£180	£180	£170	–	–
On-call Allowance	£510	£540	£555	£563	–	–
Overtime	£1,760	£1,998	–	–	–	–
Other payments (e.g. Dog handlers, secondment allowances)	£1,255	£761	£981	£1,235	£1,260	£3,945

Source: OME analysis of Police Earnings Census data, Home Office.

Parties' evidence

2.22 The **staff associations** highlighted that since 2010 cumulative pay settlements for the police had totalled 5.55%, whereas cumulative RPI inflation had been 19.1%. This had resulted in a real terms fall in the value of police pay settlements of 13.6%. The Government's public sector pay policy for the next four years would result in a further fall of 7.4% in the value of police settlements accounting for OBR inflation forecasts.

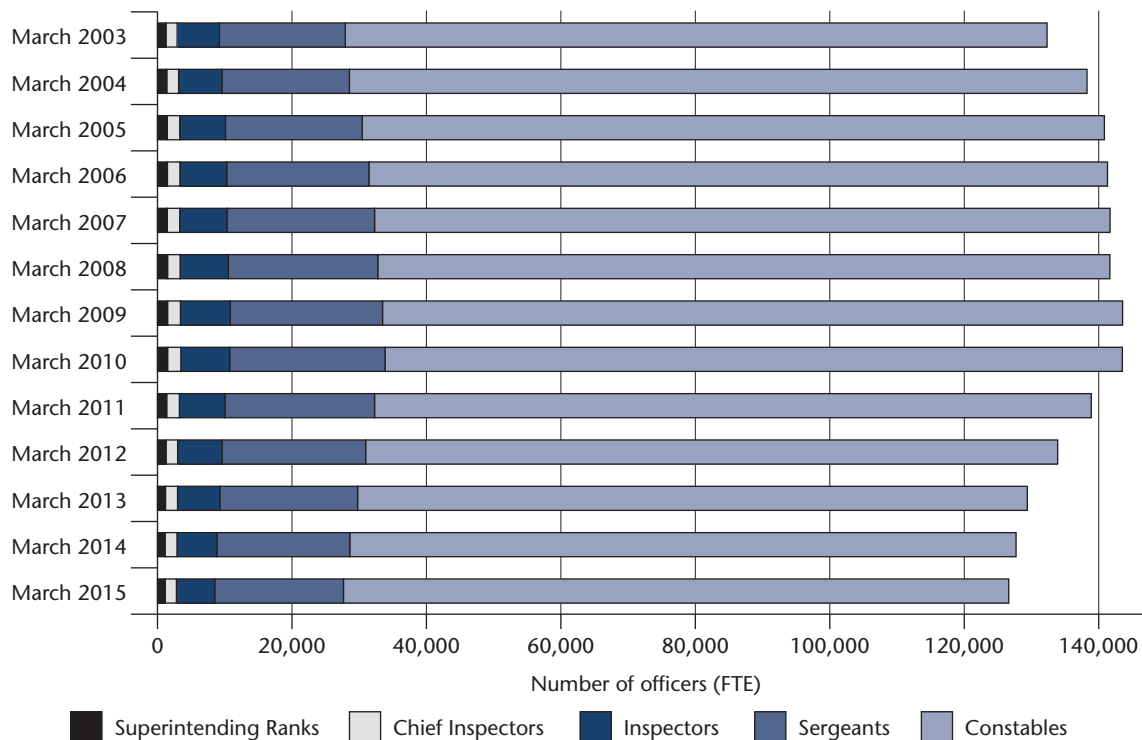
2.23 The staff associations said that the 2013/14 earnings census showed average total pay falling for most officers, reflecting the continuing impact of Winsor’s changes to various pay elements. They noted that, in real terms, average total pay had fallen by 12% for the federated ranks and 15% for the superintending ranks over the period 2010-2014.

Police officer workforce

2.24 We set out below our analysis of changes to the workforce in recent years, drawing on published Home Office statistics. We also summarise evidence from the parties on the workforce.

2.25 Chart 2.4 shows the number of police officers recorded in England and Wales at 31 March each year from 2003 to 2015. Police officer numbers grew by 8% from 2003 to 2010. The period since 2010 has seen overall officer numbers decrease by 12% (including a 1% decrease between 2014 and 2015).

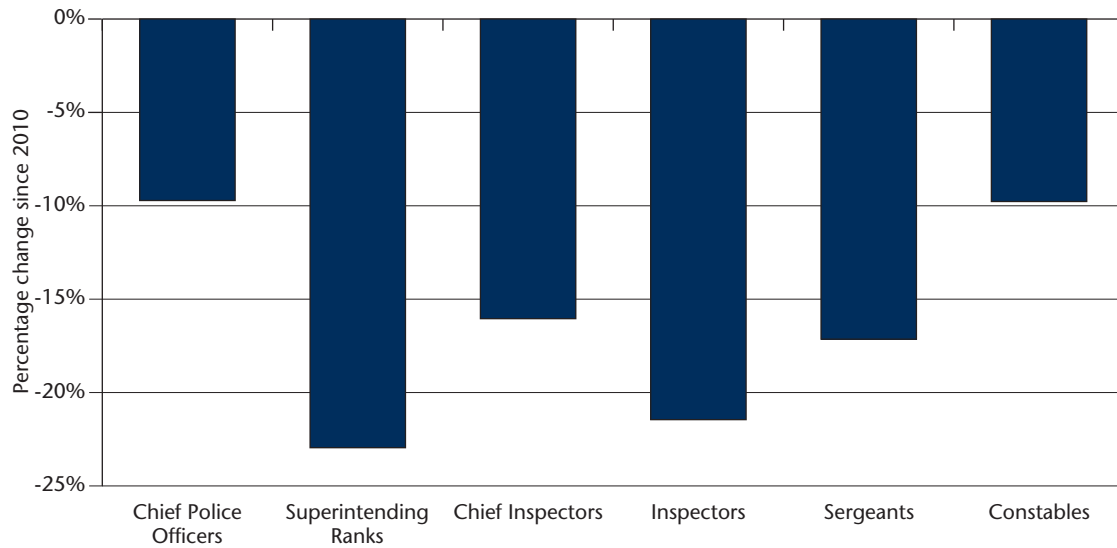
Chart 2.4: Number of police officers, by rank, England and Wales, 2003 – 2015



Source: Police Workforce Statistics, Home Office.

2.26 As shown in Chart 2.5, the largest proportional decreases since 2010 have been for the superintending ranks and inspectors (23% and 21% respectively). However, in absolute terms, the greatest decreases have been for constables (approximately 10,700 officers) and sergeants (approximately 4,000 officers). These changes were emphasised by officers on our visits to police forces including the impact on workload, particularly by superintending and inspecting ranks.

Chart 2.5: Percentage change in police officer numbers between March 2010 and March 2015, by rank, England and Wales



Source: OME analysis of Police Workforce Statistics, Home Office.

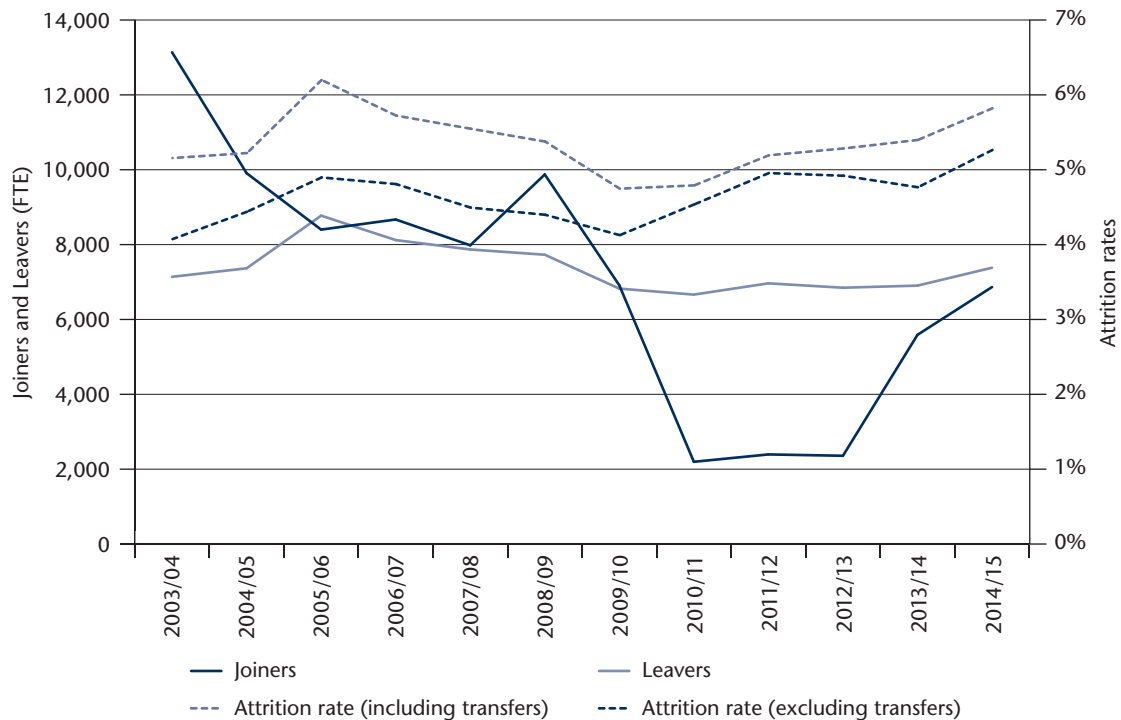
2.27 Police officers account for around 61% of the total police workforce and police staff approximately 31% (with PCSOs, designated officers and traffic wardens making up the remainder). Police staff numbers increased from 63,000 in 2003 to just under 80,000 in 2010; they have since fallen back to under 64,000 in 2015 (a decrease of 20%). The number of PCSOs has also fallen, by around 4,600 (27%), since 2010.

Joiners, leavers and attrition rate

2.28 Chart 2.6 shows the total annual number of police officer joiners and leavers since 2003/04. Numbers of joiners fell sharply after 2008/09, with fewer than 2,500 joiners annually between 2010/11 and 2012/13, before recovering to approximately 5,600 in 2013/14 and 6,900 in 2014/15. The number of officers leaving has remained fairly stable since 2009/10 (between 6,500 and 7,400 each year).

2.29 The headline attrition rate (the total number of police officers leaving forces as a proportion of the total officers in post) has been broadly stable in recent years and was 5.8% in 2014/15. Omitting those leavers who transferred to other forces rather than leaving the service results in a lower rate (5.3% in 2014/15).

Chart 2.6: Police officer joiners, leavers and attrition, 2003/04 – 2014/15, England and Wales



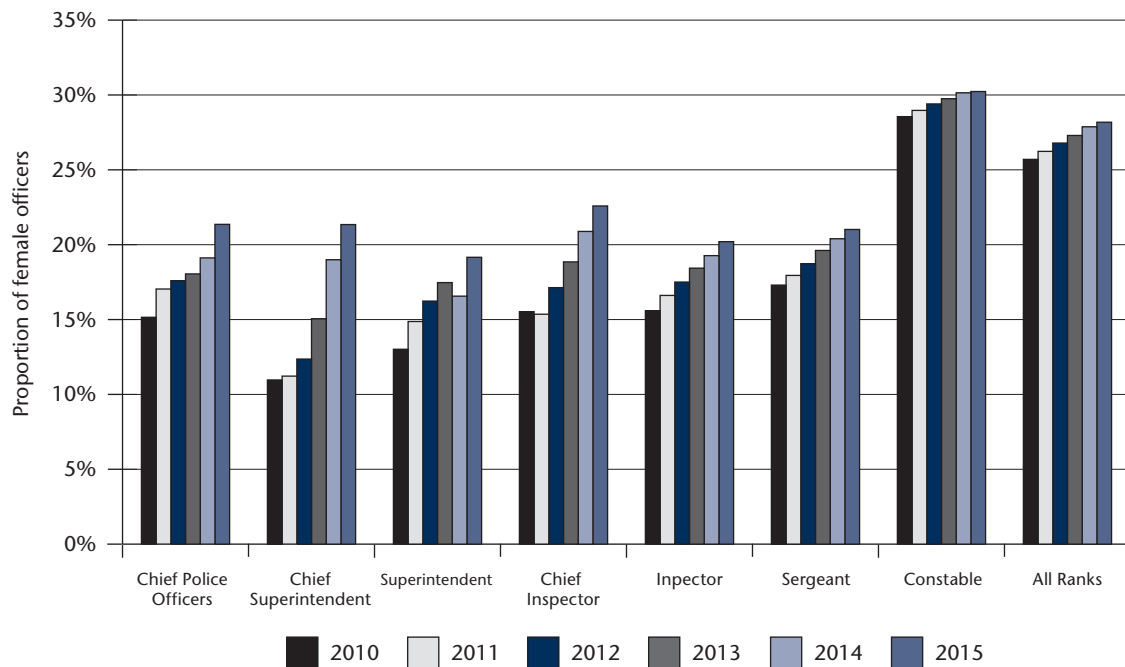
Source: OME analysis of Police Workforce Statistics, Home Office.

Workforce diversity

2.30 Charts 2.7 and 2.8 show the change in recent years in the gender and ethnic profile of the officer workforce. Key points were:

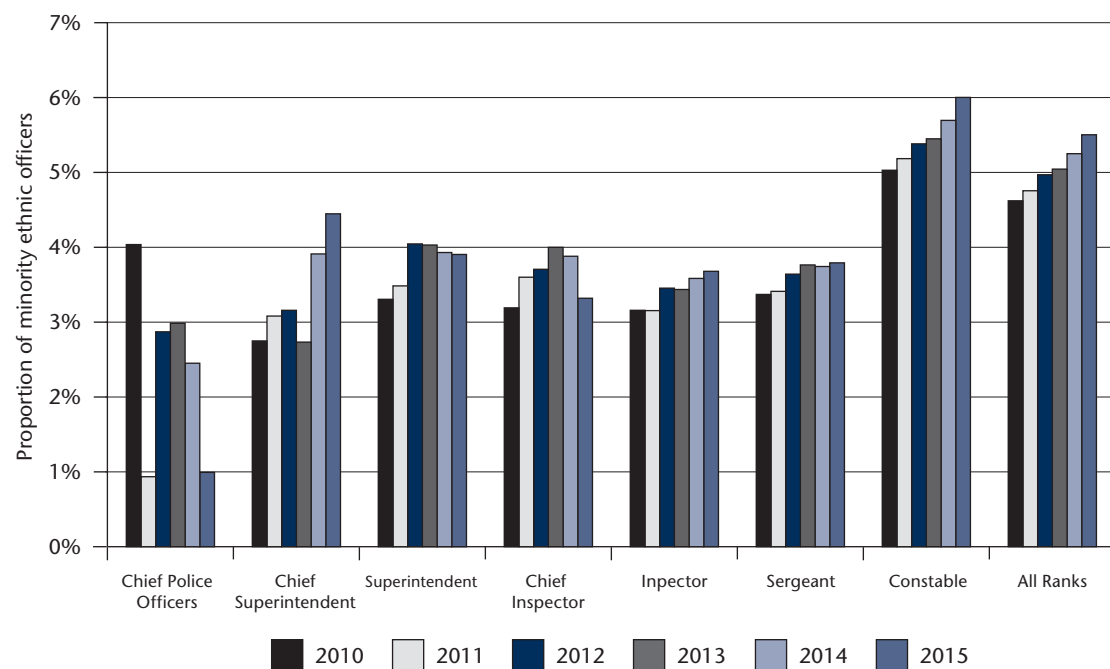
- Across all ranks, the proportion of officers who were female increased from 26% to 28% between 2010 and 2015;
- While 30% of constables were female, the corresponding proportions in more senior ranks were considerably lower (19%-23%), although these figures had been increasing in recent years;
- The proportion of female officers ranged across forces from 22% to 35%;
- Across all ranks, the proportion of officers from a Black and Minority Ethnic (BME) background increased from 4.6% to 5.5% between 2010 and 2015;
- The proportion of officers from a BME background was smaller for ranks above constable although figures for some higher ranks had increased slightly since 2010; and
- The proportion of officers from a BME background varied across forces (from 12% in the Metropolitan Police Service to under 1% in a small number of provincial forces).

Chart 2.7: Percentage of female officers at each rank, England and Wales, 2010 – 2015



Source: OME analysis of Police Workforce Statistics, Home Office.

Chart 2.8: Percentage of minority ethnic officers by rank, England and Wales, 2010 – 2015



Source: OME analysis of Police Workforce Statistics, Home Office.

Parties' evidence

2.31 The **Home Office** said that the size and make-up of the police workforce was a matter for each chief constable to decide locally in conjunction with their PCC. It highlighted that, although the number of officers had been decreasing since 2010, the proportion of officers in frontline roles had been steadily rising and stood at 91.6%.

- 2.32 The Home Office reported that the police had made real improvements in diversity and with a continuing long term upward trend in numbers of minority ethnic and female officers. There had been an increase of 3.9% in the number of minority ethnic officers and an increase of 0.2% in the number of female officers in 2014/15. However, although progress was being made in some areas black and minority ethnic officers remained under-represented at senior ranks, with 3.4% of officers at the rank of chief inspector or above as at 31 March 2015 compared with 6% at constable rank. The Home Office also told us that the Prime Minister and the Women and Equalities Minister had announced that the Government was extending its plans for gender pay gap reporting beyond private and voluntary sector employers to include the public sector, including the police workforce.
- 2.33 The NPCC noted that workforce numbers had continued to reduce in 2015, although the rate of reductions of police officers had slowed down. The **staff associations** said that the 2010 Spending Review had translated into an 11.8% reduction in the number of police officers and a 19.9% reduction in the number of police support staff. This had a significant effect on officers, often increasing their workloads, responsibilities and number of working hours.

Recruitment

- 2.34 The **Home Office** said there was no evidence of any widespread recruitment issues. Forces reported that where recruitment had taken place the supply of applicants had continued to outstrip demand and that the quality of applicants remained good. The Direct Entry schemes offered the opportunity to widen the talent pool from which police officers were attracted and, with the Fast Track programme, were making the police workforce more diverse than ever before. The College of Policing had published advice on the use of positive action to increase the recruitment, but also crucially the retention and progression, of officers from under-represented groups.
- 2.35 The NPCC said the last year had seen limited recruitment across most of the country, with the MPS being a noticeable exception. College of Policing figures showed that 27,394 candidates had been assessed between 2012 and 2015, and there had been a national pass rate of 83.6% (although not all joined the police service). The NPCC noted that the method through which police officers joined the police had changed over the last few years, with proportionally more officers being standard direct recruits and fewer officers who were previously special constables. The NPCC added that the majority of forces were paying newly recruited constables at pay point 1, although some had introduced a new starting salary in between pay points 0 and 1. In reviewing its pay proposals, the NPCC concluded that there was no evidence that pay should be targeted at the recruitment stage.
- 2.36 The MPS had a “pipeline” of recruits sufficient to meet its requirements for around the next six months, and responses to a campaign to attract applicants with language skills were very positive. There had been a significant recruitment effort to work towards the mayoral pledge of 32,000 police officers which had been largely achieved. MOPAC added that officer numbers had been kept high at around 32,000 through efficiency savings while safeguarding neighbourhood policing.
- 2.37 The **staff associations** said that a moratorium on recruiting in the last few years had made it difficult to ascertain the extent of any recruitment problems. Where recruitment had occurred data were not available to determine whether the calibre of recruits was adequate, how long officers stayed and why they left. They felt that there could be an impact from the reduction in starting salary and the wish to recruit officers with, or able to achieve, degrees would mean the police were competing with other organisations for degree calibre applicants. The staff associations reported that low recruitment had led to

a workforce profile that stored up problems for the future. Only around 15,000 officers had under five years' service whereas over 35,000 had 10-15 years' service which could lead to a significant skills and experience gap in the future as a large proportion of the workforce retired at once.

Retention

- 2.38 The **Home Office** suggested that there was no evidence of widespread retention issues. The **NPCC** reported that leavers' data from 21 forces showed the majority of officers left the service due to retirement, followed by resignation and medical retirement. Of those officers leaving through non-retirement, the majority were aged 46 and over. The NPCC considered that leaver information did not indicate a problem with general turnover and there was limited evidence to suggest that pay should be targeted to address general retention of police officers.
- 2.39 The NPCC said that in October 2015 voluntary severance had been used or was being considered in five forces. It also observed that a consequence of austerity had been the limited opportunity for promotion for many officers. The NPCC said that few forces were advertising promotions externally, as a result of the numbers of qualified internal candidates. It gave data indicating that over 1,800 constables and 900 sergeants had qualified for promotion in 2015.
- 2.40 The NPCC reported that there was no consensus among forces on the roles that were creating recruitment and retention difficulties but, from those responding to the NPCC, common themes emerging related to: detectives (particularly in specialist areas); firearms officers; custody sergeants; control room managers and operators; and forensic collision investigators. The NPCC said that the major reason for posts being hard to fill was cited as role specific issues (such as the high risk or nature of the role) and that remuneration was not given as the reason for recruitment and retention challenges by those forces responding to the NPCC.
- 2.41 The **MPS** cited acute shortfalls of around 800 detectives and, in describing its pay proposals, pointed to issues attracting and retaining scarce skills (e.g. cyber crime), growing firearms capacity and appropriate pay for protection officers. On retention as a whole, the MPS said the number of leavers continued to be manageable and relatively consistent year on year. Resignation rates had increased from 0.9% to 1.8% but were still extremely low. Leavers were concentrated in the first year of service, at year 6, and then in years 26-30 in the run up to pensionable age. A more comprehensive survey to understand leaving reasons had been commissioned and would be available for future evidence.
- 2.42 The **staff associations** said that although turnover rates could be considered relatively low compared with professions such as nursing, the overall cost of each leaver could be considered higher as the lack of comparable jobs meant the skill set was lost to the public, whereas most professions could move laterally to similar jobs. They reported that 16% of respondents to the 2015 PFEW Workforce Survey said they intended to leave the police service within the next two years. Of these, 9% were seeking alternative employment and intended to leave as soon as possible. These figures were slightly higher than in 2014. The staff associations said that 63% of respondents to the PSAEW survey planned to stay to pension age, but only two in five respondents wished to apply for further promotion.
- 2.43 The staff associations drew our attention to the Annual Allowance under pensions' taxation which they considered impacted disproportionately on members of the Police Pension Scheme 1987 and had a negative impact on promotion to senior ranks.

2.44 The Annual Allowance is the maximum amount of pension savings an individual can accrue each year that receives tax relief and was reduced to £40,000 from April 2014. The staff associations informed us of the impact on officers in the 1987 scheme because of its double accrual feature in the last ten years in the scheme and this faster accrual was more likely to breach the Annual Allowance. There was a particular impact on superintendents and chief officers but it could also affect the inspecting and sergeant ranks. The staff associations suggested their surveys showed that, to avoid breaching the Annual Allowance, officers were not putting themselves forward for promotion which could impact on the forces' operational ability to promote the most competent person for the role. The associations concluded that police officers should be able to treat as non-pensionable (in whole or in part) any pay increase that would breach the Annual Allowance and pointed to precedents for this approach for assistant chief constables (and equivalents in London) receiving temporary salary and superintending ranks temporarily promoted to assistant chief constable (and equivalents).

Morale and motivation

2.45 The **staff associations** said that in the 2015 PFEW Workforce Survey 70% of respondents reported low personal morale, 95% reported low morale within their force and 97% reported that morale within the service as a whole was low. All these figures represented an increase compared with 2014 when the figures were 59%, 90% and 94% respectively.

2.46 The staff associations reported that morale appeared higher among the superintending ranks than among the federated ranks, with 22% of respondents to the PSAEW survey saying their personal morale was low while 45% said they had high personal morale. However, only 45% of respondents felt valued in the police.

2.47 The **NPCC** reported that an increasing number of forces were working with Durham University Business School to undertake staff surveys. It said the findings from the PFEW survey on morale were concerning and needed to be carefully considered against force surveys.

2.48 The **MPS** had recently completed its staff survey with a return rate of 56%. The combined results for staff and officers had shown an engagement score of 41%. The results on fairness and respect had improved by 27 percentage points, but 21 out of 30 questions scored below the benchmark comparator.

2.49 The **NPCC** noted that sickness data could fluctuate from year to year due to a range of factors. This meant the slight increase in sickness should be monitored to see if it indicated a more significant trend. The **Home Office** said that long term sickness rates had increased slightly between March 2014 and March 2015. Limited duties measures were implemented in 2015 and would be reviewed in September 2016.

Government's public sector pay policy and affordability

2.50 **HM Treasury** told us that public sector pay restraint had been a key part of the fiscal consolidation so far saving approximately £8 billion in the last Parliament and expected to save another £5 billion in the current Parliament. It added that a policy of pay restraint made a significant contribution to protecting jobs and maintaining public services, and the **OBR** estimated the policy would protect 200,000 jobs by 2019/20.

2.51 The **Home Office** said that confirmation had been given in the 2015 Spending Review that overall police spending would be protected in real terms (an increase of £900 million by 2019/20). This provided funding to maintain overall police force budgets at current cash levels and enabled the police to adapt to emerging crime threats and to train more

firearms officers, while taking further steps to improve efficiency including workforce reform. The Government would allocate additional transformation funding to those forces which had strong proposals to support efficiency and reform, and to help transition to new funding arrangements in the future. The Home Office told us that the police officer pay bill for 2015/16 was around £6.6 billion (including employer pension contributions which represented 21.3% of salary costs) and that a 1% consolidated increase to all pay points at all ranks for 2016/17 would increase the pay bill by £62 million and an overall estimated increase of around £220 million by 2019/20 (including employer pension contributions and National Insurance payments). It also pointed to the additional cost of National Insurance following the end of contracting out.

- 2.52 The **NPCC** noted that the prices that households pay for goods and services remained largely unchanged with CPI inflation showing prices increased by 0.1% in the year to November 2015. However, taking a longer view, police officers' pay had fallen behind the cost of living. It added that, although the 1% public sector pay cap had been broadly in line with average earnings until 2014, regular pay had increased by 2% in 2015 and a potential widening pay gap would need monitoring. The NPCC concluded that, while there were some regional pay and cost of living pressures in the South East which were dealt with through allowances, there was insufficient evidence and no appetite to target pay according to geography.
- 2.53 The NPCC reported that between 2010/11 and 2015/16 central government funding for the police service had been reduced by £2.3 billion (25% in real terms), however, the impact on individual forces had differed, given the variation in reliance on government grant. The HMIC PEEL Report into Police Efficiency⁷ had concluded that forces had managed this challenge well, making the necessary spending reductions and balancing their budgets. The NPCC welcomed the outcome of the Spending Review which protected police budgets, subject to precept rises. It commented that although the budget settlement for the police was much better than had been anticipated it did not signal the end of austerity for policing or the need for reform and that forces must continue the transformational reform that had already been planned. The NPCC also noted the Government's view that no PCC would face a cash reduction in direct resource funding if they maximised precept income.
- 2.54 The **Association of Police and Crime Commissioners (APCC)** told us that, while the 2015 Spending Review had been widely welcomed in relation to the announcement that overall police funding would be protected, the Home Secretary had made it clear that this did not amount to a reprieve from making further savings or introducing major reforms. The APCC added that, after a period seeking to freeze the council tax, for the first time the Government had assumed that council tax would be increased and noted the Government's comments that no PCC would face a cash reduction in spending power as long as they maximised the precept. It said that there was considerable uncertainty beyond the next financial year in relation to the amounts that would be available to individual PCCs following the abandonment of the Formula Funding Review.
- 2.55 The **MPS** said that the Government, in its 2015 Autumn Statement, had recognised the terrorist threat and, in addition to committing to a real terms increase to the Counter Terrorism Policing Grant, had protected police spending in real terms through to 2020. The MPS told us that, despite the protection to police spending, the force remained under financial pressure and costs needed to be controlled tightly. It said that savings of £600 million had been made since 2012 and it would continue to follow the same approach towards 2020. The MPS police officer pay bill represented 74% of total pay costs and 57% of total expenditure. Therefore, the MPS said that its pay proposals must

⁷ Available at: <http://www.justiceinspectors.gov.uk/hmic/peel-assessments/peel-2015/>

be affordable and involve the recycling of existing money so that it was applied more flexibly and appropriately. **MOPAC** added that even with protected budgets the MPS would still be required to make at least £400 million savings by 2020.

- 2.56 The **staff associations** considered that the prolonged period of public sector pay restraint was coinciding with stronger pay growth in the private sector resulting in a widening pay gap. Average weekly earnings in the three months to September 2015 increased by 2.8% in the private sector but only 1.2% in the public sector with the OBR forecasting average earnings to rise steadily to 3.9% by the end of the Spending Review period. The staff associations said that the widening gap with the public sector had serious implications for recruitment and retention. They also pointed to pay settlements in the whole economy and the private sector clustering around a median of 2% which was well above RPI inflation with public sector settlements only just keeping pace with inflation. They noted that many local government settlements had exceeded 1.5% in 2015 and the Police Staff Council had settled at 2.2% over 18 months (annualised at 1.5%).
- 2.57 The staff associations said that the police service overall had suffered a decrease in the real terms value of pay settlements of about 13.6% (taking into account inflation) since 2010. If the pay cap of 1% was to be continued for another four years, the resultant real terms fall in the value of settlements would be around 21%. Furthermore, when the impact of changes made since Winsor's Review were also taken into account, the federated ranks had had a real terms reduction of 12% and superintendents of around 15%. By the end of this Parliament, the staff associations noted that police officers will have endured eight years of pay restraint.

Relevant legal obligations on the police service and relevant changes to employment law

- 2.58 Our terms of reference require us to have regard to the relevant legal obligations on the police service in England and Wales, and any relevant legislative changes to employment law which do not automatically apply to police officers.

Parties' evidence

- 2.59 The **Home Office** and the **NPCC** updated us following the Employment Appeal Tribunal for *Bear Scotland v Fulton*⁸ which required employers to include overtime and other regular allowances as part of holiday pay. Agreement had been reached with the PFEW to compensate officers in accordance with the case from 1 January 2016 with a three month back pay being applied. The NPCC also told us that the case of *Allard & Ors v Chief Constable of Devon & Cornwall Constabulary*⁹ had considered whether police informant handlers, who were required to respond to communications outside their normal working hours, had been "recalled to duty" and were therefore entitled to overtime payments. The NPCC said that these two cases, and others that were currently being considered, pointed to the need to update the Regulations that governed police pay and conditions to reflect the changing needs of policing and the professional status of the workforce.
- 2.60 The Home Office added that the Government remained committed to reflecting provisions of the Children and Families Act 2014 for police officers, in particular those sections relating to parental leave and adoption leave. Joint work was currently being taken forward by police partners to determine the operational impact and how this might be best implemented in forces.

⁸ See ACAS guidance available at: <http://www.acas.org.uk/index.aspx?articleid=4109>

⁹ Further details available at: <http://www.employmentcasesupdate.co.uk/site.aspx?i=ed26098>

Our overall conclusions on the evidence

2.61 We draw our overall conclusions from the parties' evidence and our own assessment of economic and labour market information. Our conclusions are also informed by our visits to police forces as these provide the context under which we can evaluate the evidence from the parties and other sources. We collate our conclusions under several themes which encompass our terms of reference and the factors we are to have regard to from the Home Secretary's remit letter. These themes cover: the policing reform agenda and the policing environment; the economy and the labour market; the police workforce, recruitment, retention and motivation; the Government's pay policy and affordability; and relevant legal obligations and changes to employment law.

Policing reform

2.62 The policing reform agenda provides an important backdrop to our annual pay deliberations and sets a strategic context to our work. We note from the remit letter that the Home Secretary emphasised the importance of our recommendations in supporting these reforms. We are also clear that such reform is to be driven forward by the police themselves and, in respect of workforce and pay developments, these would be led by the NPCC supported by the College of Policing.

2.63 Our terms of reference require us to have regard to the Government's policies for improving public services as well as to the work of the College of Policing. We now have sight of how the aim of building a workforce with the right skills for the future, supported by a suitable reward package, fits with the wider strands of policing reform currently underway. The workforce strand is anchored in the College of Policing's 2015 Leadership Review and we regard the key features relating to our considerations as:

- (i) The review of the rank and grading structures in policing;
- (ii) The new employment model; and
- (iii) The development of the Policing Education Qualifications Framework.

2.64 We are therefore grateful to the NPCC and the College of Policing for their regular updates on progress. In our view, developing the most appropriate workforce structure to meet changing demand through the rank review will be an important first step before considering career pathways and thereafter a pay structure to support the new workforce configuration. We note the progress the NPCC has made on the rank review and that further development is planned through 2016/17. Similarly, the College is awaiting the outcome of the consultation on the Policing Education Qualifications Framework which will determine career and development requirements. We understand that the new employment model will take time to develop and we look forward to further evidence. Against this background, moving to a new reward structure will need a firm evidence base, appropriate engagement with the staff associations, detailed pay and allowances proposals, equality impact assessments and robust implementation plans.

2.65 Given the degree of change proposed, the pace of future progress will have an influence on our annual deliberations and in framing our strategic role. At this stage we have yet to see full proposals on the workforce configuration and the reward structure for the longer term, and we conclude that it might take several years until they are in place. We therefore comment in Chapter 3 on progress with the reform agenda alongside our recommendation on basic pay for 2016/17. We then look forward in Chapter 4 to how the planned workforce and pay reform should ground our annual considerations into a longer term direction of travel.

Policing environment

- 2.66 In the context of the reform agenda, our terms of reference require us to have regard to the frontline role and nature of the office of constable, and the prohibition on police officers being members of a trade union or withdrawing their labour. The role of officers and the restrictions placed on them confer a unique status on officers which is an important starting point for our pay considerations. Our visits and the evidence presented have helped us build our understanding of the basic police officer role and the range of specific roles.
- 2.67 The evidence for this round acknowledges the challenges facing policing with headline reductions in traditional crime in recent years but increases in more complex and serious crimes. For example, an 8% overall reduction in crime in 2015 but increases in violence, sexual offences and fraud. The views expressed on our visits and the parties' evidence acknowledge how police officer roles are changing with the nature of crime including increased workload, complexity, risk, scrutiny and accountability. The rapid expansion of officers' roles in protecting vulnerable members of the public has also added complexity and risk. Changing demand will require higher skilled roles, some of which are already in short supply. We will continue to monitor how roles and career pathways are developing under the reform agenda.
- 2.68 The impact of different operating environments across forces could influence the reforms as they unfold, for instance, the MPS pointed to specific challenges in London and the need for flexibilities to address these. As we commented in our 2015 Report, there is a clear case and support from all parties for a national pay framework to support mutual aid, collaboration and movement of officers among police forces. However, there is also a recognition among some forces that greater flexibility would allow them to manage their workforces to better meet demanding and complex operating environments. This will be an important tenet for workforce and pay reform and we look forward to future evidence articulating how different policing environments might require specific flexibilities.
- 2.69 The role of police and crime commissioners is also part of our terms of reference. While no specific evidence was presented beyond outlining the current PCC role and responsibilities, we would highlight the key role they are likely to play in the longer term in facilitating and implementing the outcomes of reform in their local forces, while also continuing to contribute to wider workforce developments via the APCC.

Economy and labour market

- 2.70 The economy and labour market provide an overall context to our pay considerations. The parties presented their evidence in January 2016 including commentary on the economy and labour market at that time. We therefore reviewed more up-to-date economic and labour market indicators, as summarised below, as at May 2016 when we finalised our recommendations:
- The economy grew by 2.3% in 2015 overall. The Office for Budget Responsibility¹⁰ expected economic growth to be 2.0% in 2016;
 - Consumer Prices Index (CPI) inflation was 0.5% in March 2016 having been stable at around zero for much of 2015, kept down by falling energy and food prices. CPI inflation was expected to remain below 1% until the fourth quarter of 2016, with the Retail Prices Index (RPI) inflation measure expected by the OBR to be 1.9% by the end of 2016;

¹⁰ Office for Budget Responsibility (March 2016), *Economic and Fiscal Outlook*. Available at: <http://budgetresponsibility.org.uk/efo/economic-fiscal-outlook-march-2016/>

- The labour market was showing strong growth in employment and falls in unemployment. The OBR expected employment growth to slow and the unemployment rate to decline more slowly in 2016;
- Average earnings growth for the whole economy was 1.8% in the three months to February 2016, with private sector average earnings growth at 1.9% and public sector earnings growth (excluding financial services) at 1.4%. Average earnings growth was forecast by the OBR to be 2.6% in 2016; and
- Median pay settlements were at 2.0% in March 2016 and were expected to continue at this level in 2016.

2.71 We conclude from the latest available data that the economic and labour market picture for 2016 and beyond is less clear than in 2015. OBR economic growth forecasts have been revised downwards. However, recruitment and retention indicators across the labour market remain stable at present and there are some overall signs that the labour market is strengthening with employment rising and unemployment falling albeit at slower rates than previously. Currently, average earnings show stable growth and forecasts suggest earnings will rise by more than 2%. These indicators do not suggest a significant shift in the influence of the labour market on the recruitment and retention of police officers although a strengthening and more competitive market could be emerging for higher skills.

Police workforce, recruitment, retention and motivation

2.72 Our overall assessment of the evidence leads us to conclude that there are no major police officer workforce issues at present. Officer numbers have stabilised in 2015, with a 1% reduction since 2014, following major reductions between 2010 and 2014 of 11%. Within these changes, however, we note the significant reductions in superintending and inspecting ranks to 2014. We have yet to see the effect of the Spending Review settlement on overall workforce and officer numbers although indications are that police forces will have less financial requirement to reduce numbers. On our visits, we also saw how those forces running voluntary severance schemes had been able to change the mix of their police officer workforce.

2.73 The parties' evidence provided insights into emerging shortage groups in specific police officer roles. Notably, there are concerns in some forces around the detective cadre, not least in the MPS, where shortages are driven by the pressures of the role and relative pay (including changes following the Winsor Review such as the introduction of the Unsocial Hours Allowance). We therefore expect further evidence on the extent of such shortages across forces and particular hotspots. This evidence should examine the underlying causes including sufficiency of supply, the impact of the nature of the work (e.g. risk, demand and accountability) on attractiveness to prospective officers, and any pay implications (including relativities with other roles). Addressing these emerging shortages, particularly detectives, will be a priority for the reform agenda including developing a more highly skilled workforce, appropriate career pathways and the use of advanced practitioners.

2.74 The general picture on police officer recruitment and retention continues to look healthy. The number of joiners is meeting requirements and, where recruitment has taken place, the supply of applicants has outstripped available places. There were no issues on the quality of applicants or entrants raised in evidence although we note the College of Policing's continuing work on national recruitment standards under the Leadership Review which might provide further monitoring information. Similarly, the retention of police officers remains stable and manageable for forces with an attrition rate of 5.8% and retirements accounting for the majority of leavers. The evidence on the reasons for leaving is still patchy and the NPCC reported no consensus among forces on roles with

recruitment and retention difficulties. The NPCC concluded that remuneration was not considered to be a major overall reason for any difficulties but we are aware that pay could be a factor in attracting and retaining officers in specific roles, for instance, the MPS detective cadre. We also note a slight increase in respondents to the PFEW's Workforce Survey intending to leave within the next two years.

- 2.75 From our visits to forces and the staff associations' surveys, motivation and morale among police officers remains a concern. The 2015 PFEW survey showed the proportion of respondents reporting low morale was high and had increased since 2014. In evidence, the NPCC acknowledged these survey results. The general message on our visits was that morale was affected by workload, risk and pension changes. Police officers told us of their perception of not being valued by the Government and wider society, particularly through changes to pay and conditions and continuing pay restraint. We also noted from our visits the impact of reductions in superintending and inspecting ranks on their workload and responsibilities. We commented in our 2015 Report on the importance of identifying the range of factors impacting on morale and motivation, and we encouraged the consistent use of staff surveys to collate data across police forces. Without comprehensive information there is a risk that low morale could influence retention and workforce resilience. It is clear to us that a national survey of police officers is required to provide a full picture and a baseline against which to assess forthcoming reform. We comment further on this in Chapter 4.
- 2.76 We are grateful to the staff associations for drawing our attention to the impact of changes to the Annual Allowance under pensions' taxation. While pensions are not within our remit, our terms of reference require us to be mindful of developments in police officer pensions to ensure that there is a consistent, strategic and holistic approach to police pay and conditions. Our specific interests are the factors influencing retention in those ranks affected and any evidence of an impact on promotion to and from those ranks. We will keep this under review as part of our wider considerations on recruitment and retention. However, our role does not include making specific recommendations related to pension arrangements although we would encourage further discussion among the parties to address the issue.

The Government's public sector pay policy and affordability

- 2.77 The Government's approach sets the overall scene for pay across public sector workforces and we note its view that public sector pay restraint has played a key role in maintaining headcount and in the significant savings expected by 2019/20 to assist with fiscal consolidation. We have taken this policy into account in drawing our conclusions and recommendations on police officer pay and allowances for 2016/17.
- 2.78 We consider that the general affordability of pay awards is covered by the Government's pay policy which takes a broad view of affordability across Government expenditure. For policing, the 2015 Spending Review settlement has introduced some certainty for policing budgets through to 2019/20, as acknowledged by the NPCC. However, there is an overall affordability challenge for PCCs in setting budgets when the Government has assumed no cash reduction as long as PCCs maximise the precept. We also note that the announcement specifically pointed to the settlement enabling the police to adapt to emerging crime threats, to train more firearms officers, to improve efficiency (including workforce reform) and allowed for additional transformation funding for forces with strong proposals for efficiency and reform. We will keep affordability of pay awards under review but note a degree of uncertainty around PCCs (and equivalents) applying the precept and the impact of any change to the funding formula (which is under consideration by the Home Office). The emphasis within affordability arguments might also shift in the coming years towards the available funding for the reform agenda.

Relevant legal obligations on the police service and relevant changes to employment law

- 2.79 As part of a coherent view on the police officer remuneration package, our terms of reference require us to have regard to relevant legal obligations (including anti-discrimination regarding age, gender, race, sexual orientation, religion and belief and disability) and any relevant legislative changes to employment law which do not automatically apply to police officers.
- 2.80 The changes underway within the Leadership Review will need comprehensive equality assessments. The substantial workforce and pay changes could have equality implications relating to recruitment, career pathways, qualifications, individual development, pay progression and the implementation of performance management. In order that we can discharge our terms of reference, we expect these to feature fully in evidence submissions to future pay rounds which should cover the issues, the parties' assessments and proposed solutions. We also plan to receive regular updates on overall developments in anti-discrimination legislation from our secretariat.
- 2.81 We are grateful for the parties' updates on their work through the Police Consultative Forum on the changes to employment law which should apply to police officers. These have centred on implementing new arrangements for holiday pay and reflecting the provisions of the Children and Families Act 2014. The Forum has also provided advice to forces and local staff associations on interpreting Police Regulations, Determinations and Home Office Circulars. We welcomed these arrangements in our 2015 Report which allow the parties to reach agreements on terms and conditions to be ratified by the Home Secretary. We are therefore reliant on the parties to raise in evidence any areas requiring our consideration should this be necessary. In practice, we expect the parties will be able to resolve most issues through the Forum. We comment further in Chapter 4 on how the Forum's arrangements can be developed to support our process.

CHAPTER 3 – PAY PROPOSALS AND RECOMMENDATIONS FOR 2016/17

Introduction

3.1 In this chapter we make our recommendations on police officer pay and allowances for 2016/17. As referred to us in the Home Secretary's remit letter, we review the evidence on the basic pay uplift and specific areas covering London and South East Allowances, Motor Vehicle Allowances, public holiday compensation and Away from Home Overnight Allowance. In addition, we review various other proposals from the parties presented in their evidence.

2016/17 basic pay uplift

3.2 The Home Secretary's remit letter asked us to consider how to apply the pay award for 2016/17, in accordance with the CST's letter, including consideration of the parties' evidence on the targeting of particular groups. The **Home Office** commented that it had considered all possible options for targeting but concluded that a variable award would be extremely challenging to implement in 2016/17 and that targeting specific groups at this critical stage of reform could be counter-productive. It therefore proposed a 1% consolidated increase to all pay points at all ranks for 2016/17.

3.3 The **NPCC** reviewed its findings and examined options for 2016 pay proposals including: withholding any pay increase; a 1% increase to all officers; targeting in line with ambitions to reward competence, contribution and skills; targeting according to posts and/or ranks; and a 1% non-consolidated award to all officers. It commented that there was no evidence of general recruitment or retention problems consistent across the country, although there was local evidence in relation to specific posts. The NPCC said that targeting could only be justified on the basis of local needs and devolved to the chief constable in consultation with the PCC (and equivalents) but noted that only a few forces wanted that local responsibility.

3.4 The NPCC said that the workforce reform programme would lead to changes to pay and reward and, if it were to be implemented in a timely way, then additional flexibility would be needed to enable and incentivise transition to a new model. It considered that a 1% increase in pay bill annually would allow few options for investment and therefore the only way to build greater flexibility for future years was a non-consolidated award in 2016. It also proposed safeguards guaranteeing to consolidate the 1% into the future pay bill in line with a new workforce model. The NPCC concluded that, while a 1% non-consolidated award was the preferred option, if the business case for workforce reform was not sufficiently compelling at this time then a 1% consolidated uplift would be the default option.

3.5 In the context of reform, the **MPS**, supported by **MOPAC**, made a series of pay proposals for 2016 as follows:

- A local fund equivalent to 1% of the pay bill which would be distributed as non-consolidated, non-pensionable awards, structured and targeted according to chief officers' discretion to meet local needs. Options might include a lump sum non-consolidated 1% to each officer or targeting by rank, role, geographic location or specialism;
- Local allowances to meet unique and specialist skills as a priority for 2016, specifically to attract detective constables, to attract and retain scarce skills (e.g. cyber crime), to grow firearms capacity and to place protection officers onto a sustainable pay framework; and

- Accelerated progression to target specific issues such as accreditation for detectives, public order qualification and firearms qualification.
- 3.6 The MPS said that a non-consolidated award in 2016 would provide up to 2% consolidated funding from 2017. It noted that there were a number of drivers for workforce change in hand and a number of initiatives already in progress or development which would require funding over the next five years if significant further change was to be achieved.
- 3.7 The **APCC** told us that PCCs had considered the scope for targeting the pay award but noted the inherent difficulty due to the 1% limit. The APCC were also concerned about the prospect of some officers not receiving a pay award and the potential effect on morale and retention. PCCs concluded that the police service was not in a position to safely and fairly apply a targeted award but, as a result of reform work, it should be possible in the future. PCCs felt that a non-consolidated award would be very poorly received by officers, would not count for pension purposes and they could see no justification. The APCC therefore proposed a consolidated 1% pay award in 2016/17.
- 3.8 The **staff associations** summarised the main factors influencing their pay proposals for police officers in 2016/17 as:
- A decrease in the real terms value of pay settlements of about 13.6% since 2010 and, if the pay cap of 1% were continued for another four years, a real terms fall of around 21%;
 - Changes since the Winsor Review had led to a real terms pay reduction of 12% for federated ranks and around 15% for superintendents;
 - Recruitment and retention were currently difficult to gauge but the IFS forecast that by the end of the Spending Review period public sector pay would fall significantly behind the private sector, and the public sector was likely to see significant recruiting difficulties;
 - 70% of respondents to the 2015 PFEW Workforce Survey said their personal morale was low and 16% said they intended to leave in the next two years; and
 - Officers' roles had changed and become more arduous.
- 3.9 The staff associations therefore proposed a 2.8% uplift in line with private sector increases in the quarter to September 2015. They concluded that the service needed to make up some of the losses to officers' real terms pay and the current economic climate suggested that the time was right to begin that process. If pay was constrained to 1%, they believed there was a real danger that the calibre of officers recruited and retained would not meet the public need. The staff associations added that targeting pay under past systems was beset with problems in terms of the gender gap in payments and the introduction of the advanced threshold had been abandoned. Therefore they did not believe that proposed reforms were mature enough for pay to be targeted in 2016/17.

Our comment and recommendation

- 3.10 We draw our conclusions and recommendation on the basic pay uplift in the context of the main themes from the evidence we assessed in Chapter 2 as they relate to our standing terms of reference. In reaching our independent conclusions, we have considered the evidence on a range of options, including specific proposals from the Home Office, NPCC, APCC, MPS and the staff associations.
- 3.11 For 2016/17, we recognise that the staff associations have linked their proposed pay uplift of 2.8% to the trend in private sector earnings. However, at this time labour market indicators appear to be stable and there are no signs of general problems recruiting or retaining police officers nationwide. Police officer motivation and morale

continues to be low, according to the staff associations' surveys and our visits, and is therefore of particular concern to us although it is not clear whether pay is a dominant frustration alongside other factors. We comment in Chapter 4 on the need to improve information on morale through a national survey of police officers. When we factor in the Government's public sector pay policy, we do not consider there is sufficient evidence on recruitment, retention and motivation to justify recommending a pay award in excess of the 1% limit.

- 3.12 Looking forward, the Government has stated that its policy will continue for a further three years after 2016/17. While current economic and labour market indicators are stable, the position could change rapidly and the effects of prolonged periods of pay restraint could be significant, for instance, should trends in employment and average earnings continue upwards. We therefore wish to keep these trends and their impact under review so that we can ensure that police officer pay continues to be appropriate to attract and retain the right calibre of people, and remains in line with other public sector groups taking into account the unique role of officers and the restrictions placed upon them. While our terms of reference require us to balance a range of factors, the effect of changing economic and labour market circumstances on police officer recruitment, retention and morale will remain the cornerstone of our pay considerations. Therefore future evidence should focus on these matters as they might influence any required pay response during the remaining period of the Government's pay policy.
- 3.13 We now turn to the NPCC and MPS proposals for a 1% non-consolidated uplift to build up funding for later reform, which included the option for chief officer discretion to target increases on local needs. While the concept of non-consolidated awards could be an appropriate approach in specified circumstances, our considerations for 2016/17 are closely linked to progress with the policing reforms relating to workforce and pay. We summarise the current position in Chapter 2 and note that the NPCC, alongside the College of Policing, is beginning to make progress. However, there is little detail as yet on how the workforce is to be configured and therefore what reward structure is required for the longer term. These could take time to design, agree and implement, and from the evidence we have seen so far it looks unlikely they would be in place for several years.
- 3.14 We have not seen any detailed evidence of how reform will be implemented, how it would be funded and whether non-consolidated pay awards would release appropriate funds. Similarly, the assurances on any savings being reinvested in pay were necessarily tentative at this stage. We share the staff associations' concerns that reform should be adequately funded through police forces rather than through holding down the value of police officer pay. Indeed, there could be consequences for officer morale given the potential effects on the value of pensions which are already a source of discontent. This suggests that, if the NPCC and the MPS wished to pursue non-consolidation of awards, there should be effective engagement with the staff associations to ensure an appropriate approach that could be communicated to officers and easily understood. Taking all these factors together, we conclude at this stage that the reform plans were not sufficiently advanced to merit moving to non-consolidated pay awards for 2016/17.
- 3.15 The option of non-consolidated awards was presented in evidence alongside allowing chief officers' discretion to target pay awards according to local needs. Such targeting could also apply to other pay award options. We recognise that there might be some forces which could move quickly to targeting to ensure better use of available funding, although the NPCC acknowledged that only a few sought this responsibility. In this context, we were impressed by the MPS's willingness and its assessment of how targeting by rank, role, geography or specialism might address its specific workforce challenges, including its suggestion on using accelerated progression. We welcome the systematic and long term development of proposals from the MPS which it set within a programme of wider reforms through to 2020. We consider the MPS additional proposal for flexibility to introduce local allowances targeted at specific groups later in this chapter.

- 3.16 In our view, we would need to see a consistent picture on areas to target and an agreed national framework that could apply across all forces to enable us to recommend moving to any targeting approach at this stage. We saw no evidence (other than from the MPS) on variations in local labour markets, major areas to target, the degree of pay differentiation required for recruitment and retention, and how individual forces might implement the targeting of police officer pay. We question whether the Government's 1% pay limit would allow sufficient room for manoeuvre for meaningful differentiation and such differentiation might have a detrimental effect across the officer workforce. Additionally, it could be a premature step ahead of reforms which intend to provide a structure allowing for differentiation across roles. We also note that, in reviewing the pay options, the Home Office, APCC and staff associations strongly oppose any targeting for 2016/17 recognising the challenge to implement and the limited potential to address identified issues. With these factors in mind, we conclude that there is insufficient evidence to pursue targeting of pay awards for police officers at this stage.
- 3.17 Having considered different options and the merits of targeting, we conclude that the evidence supports a 1% consolidated award for all police officers in our remit. The Home Office, APCC and NPCC also confirmed that a 1% pay award would be affordable. We consider that an across-the-board award provides a clear and fair approach which should help to maintain effective recruitment and retention. It might also make a contribution to supporting police officer morale and motivation by being consistent with other public sector pay awards. In our view, a simple and understandable pay award is also important to avoid unnecessary complications around reward at a time when major reform is planned. An across-the-board approach should provide a platform to take forward reform. We therefore recommend a 1% increase to all pay points for federated and superintending ranks for 2016/17. The recommended pay scales are given in Appendix E.

Incremental pay progression

- 3.18 In making our basic pay recommendation, we note, as we did in our 2015 Report, that the parties presented no evidence on the Government's pay policy constraining incremental progression to being funded within the 1% allocation. The parties, led by the Home Office and the NPCC, have therefore interpreted the Government's pay policy as excluding incremental pay progression from the 1% limit and confirmed that pay awards are affordable on that basis. We agree that the pay bill costs of incremental progression for police officers should continue to be treated as separate from the costs of the annual pay award. Moreover, the emphasis on pay progression in recent evidence has resulted in the introduction of performance management for all police officer ranks, the implementation of the constables' foundation threshold criteria and the potential for reformed pay systems to have a greater link between pay, competence and contribution. We look forward to further evidence on how these aspects are developing.

Recommendation 1. We recommend a consolidated increase of 1% to all pay points for federated and superintending ranks from 1 September 2016.

Local flexibilities

- 3.19 In the context of moving to greater local flexibility, we received proposals from the MPS for local allowances to address skills and specialist roles, and from the Police Superintendents' Association of England and Wales (PSAEW) for superintending ranks. In its evidence, the **Home Office** recognised that other parties might wish to provide context on local issues but emphasised that any "emergency measures" must be balanced against other recommendations without increasing the pay bill by more than 1% overall.

MPS local allowances

- 3.20 The **MPS** considered that there were increasing internal challenges around skills and specialist roles not supported by the current reward structure on which there were pressing issues to address in 2016. It argued that discretion to create local allowances would recognise specific workforce pressures and that pay levers were needed to attract detective constables, to attract and retain scarce skills (e.g. cyber crime), to grow firearms capacity and to place protection officers onto a sustainable pay framework. The MPS suggested that these allowances would be paid in addition to the national pay scale, would be objectively justified, non-pensionable, and introduced and removed at the discretion of chief officers and the PCC (and equivalents), with appropriate governance and controls. **MOPAC** said that the current lack of flexibility undermined the MPS attempts to develop its workforce and it should no longer be necessary for chief officers to be constrained by Regulations.
- 3.21 The **NPCC** noted that the MPS had highlighted the need for greater local flexibility to reward staff that filled particular posts. It said that there was no consistent list of posts with retention and recruitment issues that could be agreed at a national level. Therefore, if targeting of pay awards to address post-related retention and recruitment issues was agreed then it would have to be devolved to chief constables, in consultation with PCCs.

Our comment

- 3.22 We acknowledge the emerging view that the police officer pay structure could benefit from greater flexibility to make additional payments to recognise unique, local circumstances. As we noted in our 2015 Report and elsewhere in this report, there should be scope for a national pay framework supported by greater local flexibility. Specifically, the MPS has proposed moving to local allowances to address the shortfall of detectives and other specific roles. We note that, although the NPCC recognises some evidence of shortage groups, the picture across the country is not consistent.
- 3.23 In our view, the starting point for these considerations should be identifying the reasons for such shortages (e.g. overall supply problems, ineffective career pathways, or the particular nature or circumstances of the role) and the range of levers which might be used to alleviate the shortage. We have seen little generalised evidence so far that police officer pay and earnings are the main drivers for these shortages or the appropriate mechanism to address them, although there is some emerging evidence that pay relativities for detectives may be a factor. The development of any local allowances or other mechanisms cannot be taken forward in isolation from the programme of reforms underway. For instance, there could be a direct link between these shortages and introducing the concept of the advanced practitioner with supporting pay and career arrangements to fit with specific roles.
- 3.24 We therefore support the development of local mechanisms but look to the parties to move this forward under the reform programme. For our part, we highlight that the development of any flexibility would necessarily need to be available to all forces with consistent criteria for local implementation. There are examples of such flexible pay mechanisms for other public sector workforces to address shortage groups (such as the NHS and the Armed Forces) which are rooted in a national framework and set out the criteria to be met, the time limits, the agreed values (or maxima), the local discretions available and the required review arrangements.

Superintending ranks

- 3.25 The **PSAEW** commented that it had been, for some time, questioning whether remuneration that was determined only by rank and length of service remained fit for purpose. Until the reform programme has been completed, the PSAEW proposed that chief officers be empowered to pay an interim, non-pensionable allowance at their

discretion to properly and fairly remunerate superintendents for the additional workload, responsibilities and spans of command that they carried. It proposed allowances up to 100% of the differences between basic salary and that of someone newly promoted to the next rank (chief superintendent and assistant chief constable or commander). The PSAEW considered it unreasonable for those in the superintending ranks whose role had been extended not to be properly remunerated ahead of reforms and for pay to be suppressed where forces had removed the rank of chief superintendent. It added that this would be consistent with the Government's continued commitment to maximising flexibility for chief constables and PCCs to manage their workforce in the most efficient way possible at local level. Payment would be at the discretion of a chief officer and determined locally although the PSAEW did not regard such an allowance as targeting under the Government's pay policy and should be dealt with separately from the 2016/17 pay award.

Our comment

- 3.26 We have heard a consistent message on our visits that reductions in officer numbers and force reconfigurations have placed additional workload and responsibilities on superintending and inspecting ranks. The PSAEW has highlighted the detailed considerations for superintending ranks and proposed an interim allowance ahead of the reforms. The PSAEW helpfully pointed to the Post-Related Allowances (for particularly complex and demanding chief superintendent posts) which were discontinued following the Winsor Review.
- 3.27 We consider that there is scope for varying remuneration depending on the weight of responsibilities at superintending and inspecting ranks which would support greater flexibilities for forces at local level. However, there is insufficient evidence at this stage and rather than recommending an interim allowance any such approach needs to be considered in the light of proposed reforms. This is particularly relevant to the review of the rank structure which seeks to establish different work levels, rather than rank, taking into account responsibilities, span of command, complexity and risk. Attaching reward arrangements to a revised structure should help any necessary distinction between roles at superintending and inspecting ranks.

Allowances

- 3.28 In our 2015 Report we noted that police officers' regional and compensatory allowances were an important part of the overall remuneration package in supporting recruitment, retention and morale. We therefore proposed the development of a rolling programme of review which drew on the rationale and purpose for allowances, a robust evidence base and links with wider developments in the package. On this latter point, we note that the NPCC sees scope to rationalise allowances under the reform agenda and therefore further evidence should update us on these developments and how this might link with our proposed rolling programme of review.
- 3.29 In the meantime, it is essential that any priorities for reviewing allowances are clearly identified at an early stage ahead of finalising the matters to be referred to us in the Home Secretary's remit letter. Clearer priorities will help the parties to engage and develop more mature proposals before submitting evidence to us. We comment on this underpinning process in Chapter 4.
- 3.30 For this pay round, the Home Secretary specifically sought our views on any adjustments to London and South East Allowances, Motor Vehicle Allowances, public holiday compensation and the Away from Home Overnight Allowance. We examine these specific allowances below and also review evidence on other allowances as raised in the parties' evidence.

London and South East package

- 3.31 In our 2015 Report we commented that the current package allowed for a series of allowances in London which appeared to have been developed in a piecemeal fashion responding to changing circumstances over time. We concluded that an early review should be a priority and the Home Secretary's remit letter for 2016/17 asked us to consider whether any adjustments should be made to London and South East Allowances in the light of further evidence put forward by employers. The **Home Office** awaited the results of the police-led review of these allowances and said that any future changes in regional allowances should be made in a way that was consistent with the wider national framework and which strengthened the link between competence/skills and pay.
- 3.32 The **MPS** argued that non-pensionable London Allowances should be consolidated over the next two to four years to provide a single payment by 2020 but with discretion for the commissioner to vary payments to meet requirements or to respond to market or other pressures. The MPS considered the current London Allowance structure was rigid, depended on historic entitlement, and costed an estimated £114 million in 2015/16. It sought local flexibility so that non-pensionable elements could be repurposed to respond more dynamically to market factors or organisational priorities. The MPS also intended to create similar flexibility for London Weighting and the London inspecting lead (both of which were pensionable) and would bring forward suggestions in 2017. The MPS confirmed that it did not intend to reform rent and housing as these allowances were time limited. **MOPAC** added the archaic nature of London Allowances had made them complex to implement and blunt in effect.
- 3.33 The **staff associations** said that they had not been made aware of any new data on London and South East Allowances. They confirmed that, unless a formal job evaluation is conducted comparing roles in London and the South East to others in England and Wales, they did not believe there was evidence that the London and South East Allowances should be changed other than uplifts in line with other remuneration. They also reaffirmed that there was no case for removing the London inspecting lead. On a general point, the staff associations concluded from the PFEW Workforce Survey that there was no clear evidence to suggest respondents in the South East and London were more likely to be dissatisfied with overall remuneration than the national average.

Our comment

- 3.34 In 2015, we made observations on existing arrangements for differentiation of pay and allowances at regional and local level at the request of the Home Secretary. We concurred with the MPS desire to review the current, fragmented London package with a view to targeting priorities to arrive at a more coherent and flexible package for London and the South East. We therefore called for a distinct rationale to be drawn between elements of the package that compensate for cost of living, support recruitment and retention, or reward specific roles or circumstances.
- 3.35 We welcome the MPS evidence for this pay round which clearly signals a revised London package with a greater link to deployment. We note the intention to rationalise the London Allowance into a single payment and the need for local discretion on the levels of payments which should have clear criteria driven by recruitment and retention. More widely, we expect the MPS to balance the required targeting of elements of the London package with the wider reform agenda. For instance, there will be a specific requirement to consider the London inspecting lead in the light of reforms on rewarding specific roles. We look forward to the MPS proposals on all these elements of the package in evidence from 2017 and ask that, in conjunction with the NPCC and by engaging with the staff associations, these include arrangements for regular review, whether annual uprating is required and whether there are any implications for the South East Allowances.

London Weighting

3.36 The **Home Office** proposed that London Weighting was maintained at the current level as it had seen no evidence that an increase would alleviate recruitment or retention issues. The Home Office intended to implement aligning any increase to London Weighting, currently paid on 1 July, with the main pay award from 1 September 2016. The **MPS** told us, in oral evidence, that there was no need for a consolidated increase to the level of London Weighting and that the money saved could be included as part of the pot to fund pay reform. The **staff associations** commented that, unless convincing evidence was presented to the contrary, the London Allowances should be uplifted by the same percentage as base pay.

Our comment and recommendation

3.37 The parties presented no compelling evidence to support the proposition that London Weighting should not be uplifted. We would need firm evidence and supporting arguments in future rounds if the Home Office and MPS wish to present a case to hold the value having engaged with the staff associations. Similarly, we saw no convincing case that the savings from no increase should be used to fund reforms when these are yet to be fully developed. As there is no evidence that the cost of living within London is increasing at a slower rate than elsewhere, London Weighting for police officers should be increased to maintain the differential with other officers elsewhere in the country. We also note that other public sector groups, including those covered by other Pay Review Bodies, have had increases in similar allowances in line with overall pay awards. We therefore conclude that London Weighting remains an important element of the package and a 1% increase is appropriate. As we proposed in our 2015 Report, this should be effective from 1 September 2016 to align with increases to other allowances.

Recommendation 2. We recommend that London Weighting should be updated by 1% from 1 September 2016.

South East Allowances

3.38 The South East Allowances are based on local recruitment and retention considerations and were introduced largely to counter the pull of police officers into the MPS from surrounding police forces. The maxima are £2,000 for the five forces adjoining the MPS (Essex, Hertfordshire, Kent, Surrey and Thames Valley) and £1,000 for other South East forces (Bedfordshire, Hampshire and Sussex).

3.39 The **NPCC** considered that with the rise of employment in the South East the time had come to request greater flexibility in the South East Allowances. It said that there was growing evidence that issues of recruitment and retention were beginning to increase, with Surrey Police already approving steps to recognise the considerable additional cost of living in that area. The NPCC concluded that the relevant South East forces should be given the ability to increase the South East Allowances by up to £1,000 above the current maxima where these forces had geographic recruitment and/or retention issues. The **APCC** said that careful consideration needed to be given to the adjustment of these allowances as an increase in one geographical area could knock on to recruitment and retention issues in another. It noted that the Surrey PCC had raised concerns about the level of the South East Allowance as Surrey had a high cost of living and was adjacent to the MPS which was able to offer a far higher rate of location allowance. It therefore drew our attention to PCCs based in the South East requesting the ability to pay an increased rate of South East Allowances.

3.40 The **staff associations** commented that, unless convincing evidence was presented to the contrary, the South East Allowances should be uplifted by the same percentage as base pay. In oral evidence, the PFEW said that police forces already had some flexibility in relation to the South East Allowances and a short term uplift could be appropriate but a better model was needed for the future.

Our comment and recommendation

- 3.41 From our visits and the evidence presented, we consider that there are emerging recruitment and retention pressures for some South East police forces to warrant increasing the maxima for the South East Allowances. Our analysis of police earnings compared with various comparator groups at force level shows that median police earnings are much closer to the rest of the economy in some South East forces than the rest of the country.
- 3.42 An increase in the maxima for South East Allowances is supported by the NPCC and the APCC and, in oral evidence, the MPS had no objection. Indications from the NPCC and APCC were that only a small number of South East forces sought this flexibility to counter increasing recruitment and retention difficulties stemming from the high cost of living in forces surrounding London. In our view, these allowances provide a degree of local flexibility to chief officers while remaining within the national pay framework.
- 3.43 We understand that a £1,000 increase to the South East Allowances' maxima was previously agreed within the Police Negotiating Board but not implemented as it was overtaken by the Winsor Review. The level of increase needs to be sufficient to have the required recruitment and retention impact and we therefore agree that the maxima should be increased to £2,000 and £3,000 respectively. Chief officers have the ability to set the allowances up to the maxima but in doing so they would need firm evidence of local recruitment and retention issues and an assessment of local affordability.
- 3.44 Looking forward, the South East Allowances should be subject to future review alongside any proposals on the London package and wider reforms. To support this review, regular monitoring data should be made available covering the values of allowances in payment, recruitment and retention issues, and transfers between the MPS and surrounding forces.

Recommendation 3. We recommend that the maxima of the South East Allowances be increased to £2,000 (for Bedfordshire, Hampshire and Sussex forces) and to £3,000 (for Essex, Hertfordshire, Kent, Surrey and Thames Valley forces) from 1 September 2016.

Other allowances

3.45 As part of its proposal on basic pay, the **APCC** said that police officers should receive a 1% pay award for 2016/17 with all associated allowances uprated by 1%. The **NPCC**, in oral evidence, concluded that there was no case to increase police officer allowances ahead of reforming pay arrangements.

Our comment and recommendation

3.46 The evidence for this pay round did not provide a consensus on uprating any allowances linked to the overall pay award. We have reviewed and drawn conclusions on the majority of allowances elsewhere in this chapter. We received no specific evidence on the Dog Handlers' Allowance from the parties although we met several police officers fulfilling these roles on our visits and we are grateful to them for explaining the skills and challenges associated with the role. We continue to consider that Dog Handlers'

Allowance should be updated by the overall pay award as it recognises the specific role (rather than any appropriate costs) and thereby maintains its value in relation to other police officers.

Recommendation 4. We recommend that Dog Handlers' Allowance should be updated by 1% from 1 September 2016.

Motor Vehicle Allowances

- 3.47 The **NPCC** told us that police officers' mileage allowances were brought back into line with local authority rates and increased in 2012. It said that, due to the financial implications and increased cost, six forces had moved to HMRC rates which had been achieved in consultation with the local Federation, Superintendents' Association and Unison and that a further five forces were paying locally agreed rates of mileage allowance. The NPCC commented that since 2012 the costs of motoring had fallen significantly as oil prices had reduced. It cited an unpublished survey conducted by the Local Government Association in 2014 which suggested that only 24% of councils still used local government rates, the majority used HMRC rates. The NPCC said that the benefit to a force of moving to HMRC rates was an expected reduction in mileage costs which should also encourage the use of cheaper modes of transport.
- 3.48 The NPCC proposed that both casual and essential users should be moved on to the same rate for mileage and essential users should continue to be paid the annual lump sum. It concluded that there was unanimous agreement from chief constables to move to the HMRC rate. The **MPS** agreed that arrangements for motor mileage rates should be devolved to chief officers with the maximum rate set at the HMRC rate.
- 3.49 The **APCC** told us that PCCs believed that HMRC rates adequately compensated police officers for using their vehicles on a casual basis and that current rates for casual users were not justified. PCCs believed that the current Motor Vehicle Allowance rates should be retained for those officers who were required to use their own vehicle at work.
- 3.50 The **staff associations** said that, historically, the police had followed the rates set for local government workers which had been set following a technical advisers' report to Local Government Employers but these had not been reviewed since 2010. They said that a nationally determined scheme, including essential and casual users, should be retained as Motor Vehicle Allowances should provide police officers with a fair reimbursement of their motoring costs incurred in the performance of their duties. They also noted that there were currently no agreed rates for motorcycle and bicycle users.

Our comment and recommendation

- 3.51 We are aware that the issues around Motor Vehicle Allowances have been left unresolved following the Winsor Review and that there has been no review since 2012. As a result, we note that the majority of local authorities have now moved to HMRC rates and that some police forces had followed suit with some others using locally agreed mileage rates. There was consistent support for a move to HMRC rates from the NPCC, APCC and MPS. We also note the staff associations' view that a nationally determined scheme should be retained. We therefore conclude that the overall structure remains appropriate, including the values of the essential user lump sums, and that this structure provides some local flexibility for chief officers to approve essential users but should be subject to regular review. In the light of the general move to HMRC rates and in the absence of other up-to-date comparative information, we recommend that the Motor Vehicle Allowance mileage rates for police officers should be the HMRC rates for both essential and casual

users. We note these rates distinguish between mileage up to 10,000 miles and above, although they do not differentiate by engine size. Any future changes in HMRC mileage rates should be read across to police officer rates.

Recommendation 5. We recommend that Motor Vehicle Allowances mileage rates for federated and superintending ranks should be the prevailing HMRC rates (currently 45p per mile for the first 10,000 miles and 25p per mile thereafter) for essential and casual users from 1 September 2016. The current structure and values for the essential users' lump sums should remain.

Other matters referred by the Home Secretary

3.52 The Home Secretary also asked us to consider public holidays and Away from Home Overnight Allowance. We consider these together below as we came to similar conclusions on how far these proposals had been developed.

Public holiday compensation

- 3.53 The **NPCC** said that policing was a 365 day a year, 24/7 occupation and terms and conditions should reflect this. It noted that from 2014 Police Scotland had changed the arrangements for public holidays. For all ranks up to and including chief superintendent, public holidays would be Christmas Day and New Year's Day. The remaining days were exchanged for annual leave (equivalent to nine days for the six public holidays for the majority of officers). The NPCC had looked at possible options and proposed moving to the model adopted in Scotland.
- 3.54 The **MPS** suggested that there might be benefits in moving to the Scottish model. In London, public holidays were among the busiest times of the year for policing and were no longer as universally significant as they once were following changes in society. It said that for businesses that routinely operated on public holidays, working was rostered and might, where appropriate, attract an unsocial hours payment and/or on-call allowance and possibly an enhanced rate of pay.
- 3.55 The **APCC** said that PCCs were largely content with rates received by police officers for public holiday working. The **staff associations** said that compensation for duty on a bank holiday was not strictly overtime. Public holidays were treated differently to overtime because they were considered to cause even greater disruption. They disagreed that public holidays were no longer appreciably different from other working days and many services did close but those continuing to operate enhanced pay for public holiday working. The staff associations added that forces could manage the need to require officers to work on a public holiday and therefore to control expenditure including cost recovery. The staff associations concluded that it would be extremely demoralising for police officers if the compensation arrangements were amended due to concerns about expenditure and recommended no changes as current arrangements were fair.

Away from Home Overnight and Hardship Allowances

3.56 The **NPCC** told us that the current Away from Home Overnight Allowance and Hardship Allowance were introduced after the Winsor reforms and their introduction had resulted in much confusion, lack of consistency and administrative complexity in dealing with claims. Clarification around the wording of the allowances was published in 2015. In 2013/14, only 5% of all federated ranks claimed the Away from Home Overnight Allowance, the majority of those in the MPS. The NPCC said that in other employment sectors occasional work away from home did not attract an allowance, nor should it do so in policing. The NPCC believed that allowances should be reviewed as soon as

practicable and concluded that if, in exceptional circumstances, officers were expected to stay in circumstances that were particularly difficult then bonus payments would be more appropriate. The **MPS** also proposed that the Away from Home and Hardship Allowances should be withdrawn as soon as practicable. The NPCC and MPS concurred that some away from home circumstances, and other areas such as public order, could be included in repurposed Recognition Awards at the discretion of chief officers.

- 3.57 The **APCC** said that PCCs were generally content with the allowance. The **staff associations** told us it was a relatively new allowance which provided compensation for being unable to return home, for the difficulties that might arise in relation to childcare arrangements or care of dependants, and for any additional costs that might be incurred, or services paid for but not utilised. They acknowledged that there had been difficulties with the implementation but it was an essential part of the remuneration package and it would be short-sighted to remove the allowance before the reforms had fully established how the pay system for the future would operate. However, they considered that the value of the Hardship Allowance should be reviewed in line with the recommendation made by the Police Arbitration Tribunal.

Our comment

- 3.58 We assess the proposals for public holiday compensation and Away from Home Overnight Allowance together. In our view, these proposed changes have been referred to us prematurely. It is not clear why these were priorities for our 2016/17 remit and they were presented at a time when major pay reform is on the horizon. We conclude that these issues require further analysis and discussion among the parties before more developed proposals can be brought in evidence to us. These should be supported by firm evidence to show the numbers of officers affected, options for change, the costs of change and the mechanisms to ensure effective implementation. We consider these are both examples of how the support to our pay review process can be enhanced to bring us fully developed proposals. We comment further on this in Chapter 4.
- 3.59 Specifically, on public holiday compensation we note the existence of the Scottish Model but we understand that the arrangements in Scotland were introduced as part of organisational change and that officers in Scotland were not subject to changes in remuneration and conditions arising from the Winsor Review. Further consideration is needed in the light of the remuneration package as a whole taking into account the evidence, confirmed on our visits, of the difficulties officers have taking existing annual leave entitlements and rest days.
- 3.60 We also note that the Away from Home Overnight Allowance and Hardship Allowance have only been in place for a few years and as yet there is no substantive evidence to support the NPCC and MPS position that they should be abolished and replaced by more flexible local arrangements. Similarly, further evidence would be needed to develop Recognition Awards to replace existing bonus payments although we note that this could be part of a wider move towards greater local flexibility.

CHAPTER 4 – ENVIRONMENT FOR THE 2017/18 PAY ROUND

Introduction

- 4.1 Throughout this report we have identified issues that will affect the environment for our 2017/18 deliberations and beyond. These centre on progress with the policing reform agenda, developing the processes that support an independent Pay Review Body including improving evidence and data, and our five-year work programme.
- 4.2 In compiling our Second Report we have been able to review and refine our processes to deliver our independent recommendations. These processes have drawn heavily from the many years of the Pay Review Body system and are designed to ensure a transparent, evidence-based approach in which all parties can equally participate. We have welcomed the parties' full engagement with the process and their prompt responses to our requests. We recognise that arrangements to determine police officer pay and conditions are evolving and it will take time to ensure they are operating to all parties' satisfaction. Our comments in this chapter are therefore intended to support the parties in developing their own mechanisms.

Policing reform agenda

- 4.3 We note the broader context of the policing reform agenda. Proposals relating to police officer workforce and pay will be at the heart of our considerations for the next few years. We are fully aware of the impetus from the Home Secretary for further workforce reforms and that these should be led by the police themselves. In this respect we are grateful for the continued input from the NPCC and the College of Policing describing progress with the strands of reform work which are anchored in the Leadership Review.
- 4.4 We comment in Chapter 2 on the progress to date, which for us centres on the review of the rank and grading structures in policing, new employment model and the Policing Education Qualifications Framework. However, we have yet to see detailed proposals on the workforce and pay aspects. Given the work involved and the evidence we have seen so far, we conclude that it might be several years before they are implemented. These conclusions fed into our consideration of 2016/17 pay proposals and our recommendation on the basic pay uplift in Chapter 3.
- 4.5 From the evidence we have seen so far, there appears to be a degree of fragility and therefore risk surrounding the reforms. They are inherently complex in terms of what is to be delivered, how it is delivered and by which organisations. The risks are connected to the following issues, which we describe in more detail below: articulating and communicating the vision; securing consensus and senior level support; ensuring adequate funding and resources; and enabling effective engagement with all parties. We also add our views on themes for consideration later in this chapter.

Clarity of vision

- 4.6 As a starting point, there appears to be widespread acknowledgement of the rationale for workforce and pay reform given the changing nature of crime, the subsequent demands on police forces and the higher skills required from police officers. From the evidence presented we detected a clear willingness from all parties to engage and contribute to the workforce and pay reforms. We were particularly impressed by the willingness of the staff associations to participate and the contribution they can make. They emphasised the need for a clearly articulated vision for the reforms, and clarity on which organisations were leading specific strands of reform and the mechanisms to bring these together.

We agree that a clear vision, supported by effective communications, would ensure police officers can better engage in implementation. Such communications could usefully set out prospective timings for reforms and the key milestones, and ensure the police workforce is kept up to date with progress.

Leadership and consensus

- 4.7 A considerable challenge will be gaining consensus among chief police officers. For reforms to be effective, a collaborative approach across all 43 forces will be required, not just in the design of reforms but in ensuring appropriate levers and enablers and consistent implementation.
- 4.8 The NPCC will drive through the workforce and pay reforms but will require a joined up approach with all forces and with all relevant stakeholders. In this context, we note that the MPS has given a clear lead by setting out its views on the challenges and the potential for reform through to 2020. We are encouraged by the development of the MPS vision and the practical approaches set out which could provide a template on which to achieve solutions applicable to all police forces. We also consider that police and crime commissioners (and the London Mayor's Office for Policing and Crime) will play a considerable part in providing the required resources and support to chief officers. While the NPCC will need to lead and provide the focal point for local efforts, the continuing support of the Home Office and Ministers will be crucial.

Funding and resources for pay reform

- 4.9 The question of how police officer workforce and pay reforms will be funded needs early resolution. Successful reforms elsewhere in the public sector have historically been supported by transitional funding to ensure adequate provision is made to cover the costs of design, implementation and transition plus any ongoing pay bill costs following implementation. We have yet to see clear plans on funding arrangements although we note the Home Office's view that the Spending Review settlement provided the resource for reform and that further transformation funding was to be made available to police forces.

Effective engagement

- 4.10 We see effective and meaningful engagement with the parties and the workforce as a whole as essential to the successful transition to new structures. We comment below on arrangements to support our process and these will have a specific dimension for the reform agenda. The NPCC will need to provide sufficient resource during all phases from design to implementation and then to monitor the outcomes. We see the Police Consultative Forum as an appropriate vehicle to enable all the relevant parties to engage and to ensure effective contributions to emerging pay proposals. This will help more mature and timely pay proposals to be presented to us in evidence.

Themes for consideration

- 4.11 Turning to the proposed pay reforms, we have yet to see any detailed proposals. We emphasise the importance of establishing an effective workforce structure and career pathways before considering the pay arrangements to support these. When considering pay design we would suggest the points below to bear in mind, which also pick up the themes we considered for a five-year work programme in our 2015 Report.

Themes for police officer pay design

- Clear definitions of rank and responsibility levels, including the principles of how pay is to be attached to these.
- Developing a pay structure that retains a national pay framework but enhances the opportunities for greater local flexibility.
- Clear principles on pay progression with pay linked to competence and skills as a fundamental building block.
- Developing credible performance management systems to ensure consistent application and to provide an effective link to reward.
- Appropriate and flexible career pathways with the supporting reward arrangements including acquisition of competence and skills (including links to the Qualifications Framework), advanced practitioner, specialist roles and areas in shortage.
- The rationalisation of allowances where appropriate.

4.12 As these reforms will increasingly influence our annual considerations, we ask that the parties provide regular updates on developments. We will look to the NPCC and the College of Policing as the leads for such updates. These should not be confined to our annual evidence process. However, we stress the importance of a co-ordinated approach across the parties which feeds into the consideration of remit matters, early discussion at the Police Consultative Forum, developing the evidence base and the presentation of mature pay proposals.

Supporting processes

- 4.13 Our independent role requires us to consider both detailed pay and conditions for police officers and to take a strategic review across the package as a whole. Upon our establishment we commented (in our 2015 Report) that police pay reviews had been put on a similar footing to other major public sector groups. Pay Review Bodies provide a tried and tested mechanism that is accepted by government and, in general, welcomed by employers and staff representative bodies. In aligning police officer pay determination to other Pay Review Body groups, we recognise that the approach, processes and supporting arrangements will take time to adjust and be firmly established.
- 4.14 In this our Second Report, we offer some reflections to the parties on the outcomes we require from the processes that support our pay review. Specifically, this pay round has highlighted the difficulties of determining pay priorities alongside the planned reforms that are now gathering pace.
- 4.15 Starting with the 2016/17 remit matters, we were unclear on how the specific allowances referred to us could be considered priorities against the wider package of reforms. They would have benefited from further earlier discussion before emerging in a remit letter. Once part of the 2016/17 remit, the parties were required to produce evidence and their positions on these allowances and we found these were under-developed and required substantial discussion before they would be appropriate for our consideration. This was evident to us in the proposals on public holiday compensation and the Away from Home Overnight Allowance. In the longer term, proposals arising from reform will present greater challenges to determining our remits in allowing sufficient time to enable the parties to absorb the implications and to arrive at mature proposals.

- 4.16 Looking across the Pay Review Bodies, they operate most effectively when the parties can come together to discuss pay proposals, resolve issues and determine their positions before presenting evidence to the Review Bodies. For instance, the NHS Staff Council provides a forum to establish the issues and develop proposals for Agenda for Change staff.
- 4.17 We appreciate that the representative bodies for police officers attach great value to the voluntary arrangements established under the Police Consultative Forum. The Forum considers a range of matters throughout the year and, in welcoming these arrangements in 2015, we commented that they could provide a quick route to achieving necessary change. We are grateful for the regular updates from the Forum on its work and through the parties' evidence. The Forum appears to be a natural arena to resolve some areas related to our terms of reference without recourse to us, for instance changes in employment law that should apply to police officers and considering legal obligations on the police service.
- 4.18 In conclusion, it is for the parties to design and facilitate these supporting arrangements but we ask that they are co-ordinated, sustainable and adequately resourced to ensure that maximum value is had from the Review Body. For our part, we have asked our secretariat to keep in touch with these and other arrangements.

Evidence and data gaps

- 4.19 We comment at various points throughout this report on the need to establish and develop the evidence base. This information is essential to our considerations but also to other parties and the supporting processes we discuss above.
- 4.20 In our 2015 Report, we encouraged the use of consistent staff surveys and the collation of core data across police forces. We note that some forces are working with the Durham University Business School on staff surveys. This does not, however, offer the consistent, national picture to inform our pay considerations. We therefore advocate a regular national survey of police officers to enable a comprehensive assessment of attitudes to important aspects of their work and views on the remuneration package, particularly to pick up trends in officer morale and motivation. Such a survey should be established by the NPCC to produce national and comparative data across forces which could be measured over time. There are examples of staff surveys across the public sector, particularly those covering Pay Review Body groups. The survey data on the police workforce should be of benefit to all parties by providing a firm evidence base to inform national and local workforce strategies, to develop pay proposals and to monitor the effect of changes.
- 4.21 There are specific areas requiring up-to-date and robust information on which we comment below:
- The Police Earnings Census is to be brought forward a year to provide more timely data on pay and earnings. It is important that there is full participation of all forces to produce complete datasets to examine trends and that the timing coincides with submission of evidence to our pay rounds. More timely data will also help establish the evidence base to support and monitor pay reforms;
 - Recruitment data including the impact of national recruitment standards (e.g. on quality of applicants) and further monitoring of how forces use constable entry salaries;
 - Retention data on intentions to leave (collected through a national survey of police officers) and the reasons for leaving;

- Pension scheme membership data given that it is part of the broader remuneration package and pension changes are frequently cited as a major influence on morale and motivation and, potentially, retention;
- Information on the wellbeing and welfare of police officers as it relates to morale and motivation including the effects of various initiatives e.g. from the NPCC working groups and the College of Policing's measures to reduce sickness and stress;
- Contextual data, where available, on trends in police officer business interests, second jobs and levels of debt; and
- Equality impact assessments of any pay proposals particularly those relating to reforms of the pay package.

Five-year work programme

- 4.22 We will continue to consider how the guiding principles and main areas for review might fit into our five-year work programme. In our 2015 Report, the main areas centred on: (i) pay implications of a review of the rank structure; (ii) implementation of the Winsor reforms; (iii) the scope for greater flexibility within a national pay framework; and (iv) periodic review of individual components of the package. We comment in Chapters 2 and 3 on how these strategic areas relate to specific aspects of the remuneration package. As the reforms progress, we will revisit the main areas we identified above to establish how pay proposals under the reforms might complement our work programme.
- 4.23 The timescale for reforms and our five-year programme coincide with the Government's current public sector pay policy. Against this background, we see opportunities for the parties to develop cohesive strategies which foster greater forward thinking across a range of workforce and pay developments.

APPENDIX A – PREVIOUS PRRB REPORTS

We submitted our 2015 Report on 12 June 2015. The recommendations were accepted in full by the Government on 16 July 2015¹¹ as follows:

Our 2015/16 recommendations (from 1 September 2015)

- **A consolidated increase of 1% to all pay points for federated and superintending ranks.**
- **The London inspecting lead retained for now.**
- **London Weighting (from 1 July 2015) and Dog Handlers' Allowance uprated by 1%.**

¹¹ Available at: <https://www.gov.uk/government/news/home-office-sets-out-pay-award-for-police-officers>

APPENDIX B – CHIEF SECRETARY TO THE TREASURY'S LETTER



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Jerry Cope (NHSPRB); Paul Curran (DDRb); Peter Knight (Prison Services RB); David Lebrecht (Police/NCA PRB); Martin Read (SSRB); Patricia Rice (STRB); John Steele (AFPRB)

c/o Office of Manpower Economics
Fleetbank House
2-6 Salisbury Square
London EC4Y 8JX

Dear Jerry, Paul, Peter, David,
Martin, Patricia and
John,

19th
August 2015

PUBLIC SECTOR PAY 2016-17

Thank you for your work on the 2015-16 pay round. It is clear to me that the pay review bodies play an invaluable role in making independent, evidence-based recommendations on public sector pay, as well as providing expert advice and oversight in relation to wider reforms to pay policy and allowances. I am grateful to you and your colleagues for the careful thought you give to this work, and look forward to receiving your advice and recommendations during the 2016-17 pay round and beyond.

2. Savings from public sector pay and workforce reform made a significant contribution to reducing the deficit over the course of the last Parliament, saving around £8bn. The new government's Summer Budget last month set out that a further £20 billion of consolidation in public sector spending will be required to deliver a surplus by 2019-20. Whilst the deficit and debt are being reduced, the government will need to continue to ensure restraint in public sector pay. Without



such restraint, reductions would need to come from other areas of spend, resulting in negative impacts on public services and jobs. At a time of difficult decisions, the government's pay policy will help to protect the jobs of thousands of front line public sector workers.

3. As you will have seen, the government announced at Budget it will fund public sector workforces for a pay award of 1% a year for four years from 2016-17. The government expects pay awards to be applied in a targeted manner to support the delivery of public services, and to address recruitment and retention pressures. This may mean that some workers could receive more than 1% while others could receive less; there should not be an expectation that every worker will receive a 1% award. The relevant departments will submit in their evidence to you proposals covering the needs of their different workforces.

4. The Budget also set out that the government will continue to examine pay reforms and modernise the terms and conditions of public sector workers. This will include a renewed focus on progression pay, and considering legislation where necessary to achieve the government's objectives. Over the course of the Parliament, I look forward to the pay review bodies playing an important role in advising the government on how best to achieve pay reforms.

5. The relevant Secretaries of State will write to you shortly with a detailed remit covering these points and I look forward to receiving your recommendations.

with best wishes,

A handwritten signature in blue ink, appearing to read 'Greg Hands'.

GREG HANDS

APPENDIX C – HOME SECRETARY’S REMIT LETTER



Home Secretary

2 Marsham Street
London SW1P 4DF
www.gov.uk/home-office

Mr D Lebrecht
Chair - Police Remuneration Review Body
Office of Manpower Economics
Fleetbank House
2-6 Salisbury Square
London
EC4Y 8JX

9 November 2015

Dear Mr. Lebrecht,

Police Remuneration Review Body Remit 2016-17

I write following the Chief Secretary to the Treasury's letter of 19 August confirming the Government's approach to public sector pay for 2016/17. There remains a need for continued pay restraint across the public sector, with an expectation that pay awards will be targeted within workforces to better reflect those whose skills are most in demand and support the delivery of public services. In addition, the Government's paper on the Comprehensive Spending Review, '*A country that lives within its means*', published in July, described the need further to modernise terms and conditions in the public sector, especially unreformed areas of progression pay.

We have achieved a great deal over the last few years in policing and I have been clear that I want to build on this to finish the job of police reform. We need a police force that is flexible, professional and able to deal with the changing face of crime over the coming years. Workforce reform is a critical part of this and your independent recommendations will be of prime importance in ensuring that police officer pay reflects the competence, skills and professional development of officers in a way that is fair and sustainable.

I am particularly keen to support police leaders by giving them the tools they need to increase flexibility; allow movement in and out of policing; increase and introduce skills; and achieve a more diverse workforce mix as well as growing a culture of innovation and challenge. I remain committed to the programme of work that is being undertaken by the College of Policing in this respect. As you will be aware, the recent Review of Police Leadership has made recommendations on matters including the extension of direct entry, a

review of ranks, roles and standards and linking skills and competence more strongly to pay. I would emphasise that this work is being driven forward by the police themselves, rather than from the top down.

In considering the appropriate level of pay for police officers I would ask you to have regard to:

- The need to ensure that the proposals reflect the Government's policy on public sector pay as outlined in the Chief Secretary to the Treasury's letter – in particular, that there will be funding for pay awards up to an average of 1% a year, with the expectation that these will be applied in a targeted manner;
- The Government's continued commitment to maximising flexibility for chief constables and Police and Crime Commissioners to manage their workforce in the most efficient way possible at a local level;
- The role and nature of the office of constable in British policing;
- The prohibition on police officers being members of a trade union or withdrawing their labour;
- The need to recruit, promote, retain and motivate suitably able and qualified officers that reflect the communities they serve;
- The affordability of any recommendations, particularly in light of the forthcoming Comprehensive Spending Review; and
- The work of the College of Policing and chief constables in taking forward recommendations from the Review of Police Leadership.

I refer to the PRRB the following matters for recommendation for 2016-17:

1. How to apply the pay award for 2016-17, in accordance with CST's letter, including the consideration of parties' evidence on the targeting of particular groups;
2. Whether any adjustments should be made to London and South East allowances in light of further evidence put forward by employers;
3. To be included as part of your rolling review of payments and allowances:
 - a. Overtime rates for bank holiday working;
 - b. Motor vehicle allowance rates; and
 - c. The Away from Home Allowance.

Finally, these matters for recommendation should be considered in the broader context of the work currently being undertaken by the College with policing partners to take forward the recommendations of the leadership review. This includes a review of rank structures and will look at the way in which skills are rewarded. This work will inform the development of longer-term pay strategy.

I place great value on the independent advice of both police pay review bodies and look forward to receiving your recommendations no later than 17 June 2016.

A handwritten signature in black ink, appearing to read 'T. May', is centered on the page. The signature is fluid and cursive, with a large initial 'T' and a distinct 'M'.

The Rt Hon Theresa May MP

APPENDIX D – THE PARTIES’ WEBSITE ADDRESSES

The parties’ written evidence should be available through these websites.

The Home Office	https://www.gov.uk/government/publications/home-office-evidence-to-the-police-remuneration-review-body-2016-to-2017
National Police Chiefs’ Council	http://www.npcc.police.uk/Publication/PRRB%20Submission%20by%20NPCC%202016%20.pdf
Metropolitan Police Service	http://www.met.police.uk/foi/pdfs/other_information/corporate/met-submissions-to-prrb-jan2016.pdf
Association of Police and Crime Commissioners	http://apccs.police.uk/wp-content/uploads/2013/08/APCC-PRRB-Submission-2016-Final.pdf
Joint submission from the Police Federation of England and Wales, and the Police Superintendents’ Association of England and Wales	http://www.polfed.org/documents/PFEW_and_PSAEW_PRRB_submission_FINAL_13-01-2016_v1.pdf
Joint submission from the Police Superintendents’ Association of England and Wales, and Superintendents Association of Northern Ireland	http://www.polic-supers.com/wp-content/uploads/2016/01/PRRB-FINAL-joint-submission-PSAEW-and-SANI-Jan-2016.pdf

APPENDIX E – RECOMMENDED CHANGES TO POLICE OFFICER PAY SCALES AND ALLOWANCES FROM 1 SEPTEMBER 2016

Salary Scales

The salary scales in effect from 1 September 2015 are set out below along with our recommendations for effect from 1 September 2016.

Rank	Pay point	With effect from 1 September 2015	Recommended for effect from 1 September 2016	Notes
Constable (appointed before 1 April 2013)	On commencing service	£23,964	£24,204	
	On completion of initial training	£26,748	£27,015	
	2	£28,302	£28,584	a
	3	£30,030	£30,330	
	4	£30,975	£31,284	
	5	£31,971	£32,292	
	(point removed on 1 April 2015)	(£33,693)	–	
	6	£34,779	£35,127	
Constable (appointed on or after 1 April 2013)	(point removed on 1 April 2016)	(£36,882)	(£37,251)	
	7	£37,626	£38,001	
	0	£19,578	£19,773	b,c
	1	£22,668	£22,896	d
	2	£23,694	£23,931	e
	3	£24,729	£24,975	
	4	£25,758	£26,016	
	5	£27,819	£28,098	
Sergeant	6	£31,971	£32,292	
	7	£37,626	£38,001	
	1	£38,910	£39,300	
	2	£40,218	£40,620	
	3	£41,076	£41,487	
	4	£42,285	£42,708	

Rank	Pay point	With effect from 1 September 2015	Recommended for effect from 1 September 2016	Notes
Inspector	0	£48,207	£48,690	
	1	£49,566	£50,061	
	2	£50,925	£51,435	
	3	£52,290	£52,812	
Inspector (London)	0	£50,319	£50,823	
	1	£51,684	£52,200	
	2	£53,049	£53,580	
	3	£54,420	£54,963	
Chief Inspector	1	£53,358	£53,892	f
	2	£54,432	£54,975	
	3	£55,554	£56,109	
	In post 31 August 1994	£56,463	£57,027	
Chief Inspector (London)	1	£55,485	£56,040	f
	2	£56,553	£57,120	
	3	£57,675	£58,251	
	In post 31 August 1994	£58,575	£59,160	
Superintendent (promoted to rank before 1 April 2014)	1	£64,188	£64,830	
	2	£66,834	£67,503	
	3	£69,480	£70,176	
	4	£72,135	£72,855	
	5	£74,784	£75,531	
Superintendent (promoted to rank on or after 1 April 2014)	1	£64,188	£64,830	
	2	£67,542	£68,217	
	3	£71,070	£71,781	
	4	£75,816	£76,575	
Chief Superintendent	1	£79,557	£80,352	
	2	£82,248	£83,070	
	3	£83,925	£84,765	

Notes:

- a. All officers move to this salary point on completion of two years' service as a constable.
- b. Entry point for an officer appointed in the rank of constable, however:
 - (i) The chief officer of police may, after consultation with the local policing body, assign any officer to pay point 1 on the basis of local recruitment needs or the possession of a policing qualification or relevant experience other than those specified in sub-paragraph (ii) of this note; and
 - (ii) The chief officer of police shall assign to pay point 1 any officer who:
 1. Possesses a Policing Qualification as defined by the chief officer after consultation with the local policing body;
 2. Was, prior to appointment, serving as a special constable who has been assessed and has achieved 'Safe and Lawful' attainment to National Standards, or the equivalent as specified by the chief officer;
 3. Was, prior to appointment, serving as a police community support officer who has been signed off as competent to perform independent patrol and who has served a minimum of 18 months in the role.
- c. The salary paid to an officer at pay point 0 shall be between £19,773 and £22,896 as determined by the chief officer of police, after consultation with the local policing body, based on local recruitment needs or the possession of a policing qualification or relevant experience other than those specified in sub-paragraph (ii) of note (c) above.
- d. On completion of initial training, an officer who entered at pay point 0 will move to pay point 1.
- e. All officers will move to pay point 2 after 12 months at pay point 1 and progression will continue to be at a rate of one pay point per 12 months of service thereafter.
- f. Entry point for an officer appointed to the rank, unless the chief officer of police assigns the officer to a higher point.

Incremental progression through the pay scale will be dependent upon an officer's performance having been graded as either 'satisfactory' or above in the relevant PDR.

Allowances

The recommended revised values of allowances from 1 September 2016 are set out below:

London Weighting	£2,373
South East Allowance Maxima	
– Essex, Hertfordshire, Kent, Surrey, and Thames Valley	£3,000
– Bedfordshire, Hampshire, Sussex	£2,000
Dog Handlers' Allowance	£2,217
Motor Vehicle Allowance:	
– Essential Users' Lump Sum:	
– 451-999cc	£846
– 1000-1199cc	£963
– 1200-1450cc	£1,239
– Per mile (all users)	HMRC approved rate ¹²

The values of all other allowances and payments remain unchanged.

¹²<https://www.gov.uk/expenses-and-benefits-business-travel-mileage/rules-for-tax>

