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Rt Hon Keith Vaz MP
Chair
Home Affairs Select Committee
House of Commons

15 December 2015

Police Funding Formula

The Committee published its report into the Department's plans to revise the Police Funding Formula (PFF) on 11 December. The Government will respond formally in the New Year. Ministers will also publish details of the 2016-17 allocation this week.

As your report notes, when I gave evidence on 10 November as part of the regular cycle of appearances in the context of your rolling inquiry into the *Work of the Permanent Secretary*, I undertook to write to you with the outcome of the internal management review into the error. Let me also take this opportunity to repeat my apology to you and to the political and professional leadership of policing for the error and its disruptive impact.

The management review was conducted by a senior director not involved in work on the formula nor in the groups responsible for it. He examined documentary evidence and conducted interviews with PCC Chief Executives, CACI (the company providing the Acorn datasets) and the officials involved. Since your report has set out the chronology of the consultation process, I will not repeat it in detail in this letter, but focus instead on the key moments and decisions.

In 2013, CACI launched a new version of its Acorn dataset. The previous version, based on census data, included the "hard pressed" measure, which had been used for several years in the old police funding formula. The new version, which drew on a range of other data sources as well as census data, replaced this with the "urban adversity" measure. When imported by analysts into the Home Office systems, the two datasets were stored using the original CACI filenames, which were near identical, rather than clearly labelling them as separate datasets. The subsequent confusion arose from this basic mistake, not from any error in the arithmetic or manipulation of the data itself.

The first phase of the consultation, which focused on principles and did not include exemplifications, was launched on 21 July and referred to the older "hard pressed" dataset. On 8 October, the Department launched the second phase of the consultation with the exemplifications. The Minister's letter referred to the newer "urban adversity" measure, which represented an approved update of the model. However, because of the confusion over filenames, the exemplifications were actually based on the "hard pressed" dataset. A fortnight later, at a meeting with Home Office officials after several email exchanges, the Devon & Cornwall PCC

Chief Executive, Andrew White, explained that he could not reconcile the exemplifications with the “urban adversity” dataset. Despite that, the technical note we sent to forces on 28 October reaffirmed that the exemplifications were based on “urban adversity”. Over the next few days and after further exchanges with Andrew White during which analysts sought to reconcile his calculations with theirs, the error was resolved. The Director-General, Mary Calam, then wrote again to forces on 5 November explaining that the exemplifications had in fact been based on “hard pressed” while confirming that it remained our intention to use “urban adversity” for the final mechanism.

The significance for force allocations of the difference between “hard pressed” and “urban adversity” was not properly appreciated by the analysts and policy team, and thus not properly communicated to forces, or indeed to me or Ministers, who became aware of both the error and its significance early evening 6 November. Thereafter, the Department acted promptly to apologise for the error and manage the consequences.

Several individual and structural lessons emerge from this management review. The base error was the confusion by analysts between the two filenames and datasets. But that error was compounded not corrected because they had insufficient understanding of the policy issues and context, and because policy officials had insufficient understanding of the technical issues and data.

Errors of analysis and judgement were made by several individuals at all levels. This will be addressed in their performance appraisals and through the Department’s formal performance development and improvement procedures.

I am considering whether to make structural and managerial changes to the Crime and Policing group and to Home Office Science as part of the modernisation of the Home Office’s central functions, to which the Home Secretary referred in her 10 November speech to Reform.

All significant policy initiatives will now be managed using the successful project management approach we took to the implementation of the Immigration Act 2014, which should ensure that the gaps in understanding which compounded the original error in this case do not recur. We will also strengthen the modules in legal awareness training courses about consultations.

Let me conclude by reiterating my regret that the Home Office made this error and at its disruptive impact.

I am copying this letter to PCCs, Chief Constables and PCC Chief Executives.

Yours sincerely,



MARK SEDWILL