

Police Federation for Northern Ireland



POLICE REMUNERATION REVIEW BODY SUBMISSION

FEBRUARY 2018

19th February 2018

Dear Mr Lebrecht,

The Police Federation for Northern Ireland (PFNI) are pleased to attach our fourth submission to the Police Remuneration Review Body (PRRB).

As you will be aware, the PFNI have engaged fully with the PRRB in providing an evidence based approach to staff side pay claims. We do, however, have significant concerns around elements of the current process and believe that the process is in real danger of losing all credibility with the Police officers I represent.

Central to these concerns is the lack of a devolved administration in Northern Ireland, which has highlighted significant failings in the current process. The most prominent of these issues has been the failure to implement any pay award based on the recommendations of the PRRB for 2017/18. At the time of writing, Police officers are still awaiting an award to be made for this pay round. This unacceptable situation should not be permitted to continue or be reliant on political stability in Northern Ireland.

Whilst it is appreciated that the PRRB have fulfilled their obligations in respect of this process, the stalemate in making an award in respect of this is unacceptable. Police officers in Northern Ireland deserve and expect to be treated on an equitable basis with their colleagues in England and Wales. This becomes even more unpalatable given the consensus of all parties on the desire and requirement for parity on core pay.

The actions of the Government, in their interpretation of the 2% recommendation for England and Wales in 2017/18 also cause PFNI concern. To award a proportion of the PRRB recommendation as a one year "bonus" is both disingenuous and insulting to the work of Police officers. The separation of the award into 1% consolidated and 1% unconsolidated presents unique issues for Northern Ireland. The Home Office have indicated that the unconsolidated element of the award is to be funded via Chief Constable's reserves. It is not lost on PFNI that

HM Treasury rules preclude the Chief Constable of PSNI from carrying forward any efficiency savings into the next financial year and by default from having “reserves”. It is the view of PFNI that the Chief Constable should be subject to the same funding mechanisms as those afforded to his colleagues in England and Wales, thus enabling him to be in a position to carry over efficiency savings from one financial year to the next. This would leave scope for the continuation of pay parity, including as part of any future pay award which may deviate from the recommendations of the PRRB.

The PFNI also have concerns about the seemingly haphazard approach being taken by the College of Policing in respect of so called Workforce Reform in England and Wales. Of particular concern is the urgency with which these reforms are taking place and the apparent absence of any meaningful consultation with the staff side. Whilst these reforms are only applicable in England and Wales, experience tells us that some elements will, at least indirectly, impact upon policing in NI. The PFNI were approached by the Department of Justice in May 2017 requesting a response from the Federation regarding the potential introduction of a Licence to Practice and Universal Registration. Despite having only three days in which to respond, we provided a detailed outline of our position. On the 13th June 2017 the DoJ informed us that the Home Office had decided not to proceed with the Police Workforce Reform Bill at that time. However, it has since come to our attention that elements of this legislation now seem to be in progress via a Statutory Instrument, and whilst only applicable to England and Wales, there appears to be no cognisance of such reform and the potential knock on effects in other parts of the United Kingdom. Such indifference to the views of staff associations does not bode well for the remainder of the reform process and could lead to a weakening of the PRRB framework.

These are real issues which concern our members and in enclosing our submission for 2018/19, I would ask the PRRB to be mindful of the impact of the matters I have raised.

On a personal note, as your tenure as Chair of PRRB comes to an end, I would like to take this opportunity to wish you well for the future and to thank you for your time and dedication to the PRRB over the last number of years.

Regards,
Mark Lindsay



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1. EXECUTIVE SUMMARY

- 1.1. The evidence presented within this, the fourth submission from the Police Federation for Northern Ireland to the Police Remuneration Review Body, aims to address each of the items outlined in the remit letter from the Permanent Secretary for the Department of Justice. In compiling this evidence we present fourteen recommendations to the PRRB relating to the pay award (including the value of the award, its application and the need for continued pay parity), the Northern Ireland Transitional Allowance (NITA), on-call allowance, dog-handlers allowance and the Competence Related Threshold Payment (CRTP).
- 1.2. The provision of this evidence and the commentary which accompanies it has been developed within the context of continued political instability, significant budgetary pressures, declining workforce resilience, increasingly complex demand and the ever present threat from violent dissident republicans. We therefore believe that our evidence and our recommendations are both appropriate and are necessary in order to secure a fair, reasonable and warranted pay award for police officers in NI.

PFNI Recommendations

Please note that any reference to the '2% 2017/18 award' in the recommendations which follow is made based upon a working assumption stemming from the details contained within the Third Report on England and Wales and the recommendation made by the PRRB.

Recommendation 1: That parity on core pay spines is maintained with forces in England and Wales.

Recommendation 2: That targeted pay awards should be excluded as a feature of the 2018/19 pay review round.

Recommendation 3: The longer-term arrangements surrounding the future provision of targeted pay awards should be based upon robust evidence, including comprehensive, transparent and reliable data. A meaningful consultation process must be undertaken and any proposals must be thoroughly modelled in advance of implementation.

Recommendation 4: If no award is implemented for the 2017/18 review round, we recommend that **all federated officers** in the PSNI are awarded a consolidated uplift of 5.4% in September 2018. This award is to include the 3.4% HM Treasury RPI forecast as well as the 2% consolidated award recommended by the PRRB for 2017/18. This award must be consolidated in its entirety and the 2% 2017/18 award (including the pensionable element) back paid to September 2017.

Recommendation 5: If a 1% award is implemented for the 2017/18 review round, we recommend that **all federated officers** in the PSNI are awarded a consolidated uplift of 4.4% in September 2018. This award is to include the 3.4% HM Treasury RPI forecast as well as the additional 1% award recommended by the PRRB for 2017/18. This award must be consolidated in its entirety and the additional 1% 2017/18 award (including the pensionable element) back paid to September 2017.

Recommendation 6: If the implementation of the 2017/18 award is the same as that in England and Wales (i.e. a 1% consolidated and a 1% temporary, non-consolidated bonus), we recommend that **all federated officers** in the PSNI are awarded a consolidated uplift 4.4% in September 2018. This award is to include the 3.4% HM Treasury RPI forecast as well as the reinstatement of the 'temporary' 1% bonus to police pay scales. This award must be consolidated in its entirety and the additional 1% 2017/18 award (including the pensionable element) back dated to September 2017.

Recommendation 7: If a 2% consolidated award is implemented for the 2017/18 review round (and back dated to September 2017), as recommended by the PRRB, we recommend that **all federated officers** are awarded a consolidated uplift of 3.4% in September 2018. This award must be consolidated in its entirety.

Recommendation 8: An increase to on-call allowance from £15 to £23 for each evening or weekend day period and to £30 for any time on-call during a day considered a public holiday within the terms of the PSNI Regulations 2005.

Recommendation 9: That the Northern Ireland Transitional Allowance (NITA) is uplifted in line with the pay increase awarded to PSNI officers.

Recommendation 10: That the PRRB NITA recommendation outlined in the third report on NI is backdated to September 2017 as and when the 2017/18 pay award is implemented.

Recommendation 11: That the dog handlers allowance remains and is uplifted in line with the pay increase awarded to PSNI officers.

Recommendation 12: That the PRRB dog handlers allowance recommendation outlined in the third report on NI is backdated to September 2017 as and when the 2017/18 award is implemented.

Recommendation 13: That the Competence Related Threshold Payment (CRTP) remains open to new applicants for the entirety of the review period as well as during any implementation period which follows.

Recommendation 14: That the Competence Related Threshold Payment (CRTP) is uplifted in line with the pay award.

2. REMIT LETTER

- 2.1. The 2018/19 pay review round commenced on the 3rd January 2018 with the publication of a remit letter supplied by the Permanent Secretary for the Department of Justice, in absence of a NI Justice Minister. This letter can be found in Appendix A. Despite the many difficulties arising from the current political climate in Northern Ireland, the Permanent Secretary expressed the requirement that the 2018/19 review of police pay in Northern Ireland is undertaken simultaneously with the pay review in England and Wales.
- 2.2. The following matters are to be considered as part of the 2018/19 pay review:
- The application of any pay award for 2018/19 for police officers of all ranks;
 - Whether any increase should be applied for the Northern Ireland Transitional Allowance (NITA) and other allowances;
 - Whether any increase should be applied to the Competence Related Threshold Payment (CRTP), pending its review;
 - Consideration of any specific challenges for the PSNI highlighted in written evidence from NI parties, particularly in terms of recruitment and retention pressures.
- 2.3. The Permanent Secretary requested that any recommendations made regarding the 2018/19 PSNI pay award are set within the context outlined in the letter from the Chief Secretary to the Treasury on public sector pay, dated the 21st September 2017. As such, this submission has also taken into consideration the details outlined by the Chief Secretary. This letter can be found in Appendix B.
- 2.4. The letter from the Chief Secretary references the 1% public sector pay policy as set by the 2015 Spending Review and notes the continued need for pay discipline over the coming years. However, unlike the previous five years, the UK's public sector pay policy, as detailed by the Chief Secretary to the Treasury and reiterated by the Chancellor in the 2017 Autumn Budget, provides the pay review bodies with an element of flexibility, reportedly in order to deliver world class public services. Although few details are provided, the Chief Secretary references the provisions of this flexibility in regards to areas of skill shortages and in return for improvements in public sector productivity.

- 2.5. In determining the approach to a more flexible public sector pay policy, the Chief Secretary to the Treasury reiterates the importance of robust evidence, which takes into account the wider economic circumstances, private sector comparators and the overall remuneration of public sector workers. The range of evidence provided in this submission aims to be reflective of these key requirements.

3. COMMENTS ON THE PAY REVIEW PROCESS

- 3.1. The Police Federation for Northern Ireland (PFNI) have participated fully in the pay review process every year since the process began in 2014. This report is the fourth report we have submitted to the Police Remuneration Review Body (PRRB). However, as is evidenced by complications in the submission of this year's report, there are a number of significant issues which are of concern to us, as a Staff Association, regarding the current operational practicalities of the process in Northern Ireland, in particular given the impact of persistent political uncertainties.
- 3.2. The third PRRB report on Northern Ireland was submitted to the Northern Ireland Department of Justice in late June 2017. Despite this, and in the absence of a functioning Executive in Northern Ireland, police officers have yet to receive their pay award as recommended by the PRRB as part of the 2017/18 review round, an award which should be payable from the 1st September 2017. Indeed, officers remain completely unaware of the value of this pay award. This is a wholly unacceptable situation, which has financially disadvantaged officers in Northern Ireland, has negatively impacted workforce morale and has increased the level of scepticism regarding the pay review process. Whilst we recognise that this is a political issue, it is our view that in order for this important process to work as intended in Northern Ireland, procedures must be put in place to prevent this situation from occurring in the future.
- 3.3. In addition to the financial detriment suffered by police officers, we have significant concerns regarding the time in which it took for the Department of Justice to release the PRRB's third report on NI and the subsequent impact upon our preparations for the 2018/19 review round. The DoJ's reluctance to release this report hampered our ability to adequately prepare in advance, the quality of submission which we feel our members deserve. It was simply impossible to undertake our evidence gathering, including the request for appropriate data from the PSNI, without first seeing the PRRB's analysis of last year's data, which forms the basis of their recommendations. Whilst we appreciated the brief update from the DoJ on the evidence required by the PRRB as stated within the report, the absence of any context surrounding this was unhelpful. At the very least it must be made clear that should this situation arise again in the future, the PRRB's report can be released to all relevant stakeholders, in confidence, and without prejudice.

4. PUBLIC SECTOR PAY POLICY

- 4.1. At the time of writing, NI remains without a functioning Executive and as such there is currently no formal agreed public sector pay policy in place in NI for the 2018/19 pay review round. Indeed, the NI policy for public sector pay for the 2017/18 pay round was only set in December 2017, almost nine months into the financial year. In the absence of a formal agreement for 2018/19, the Permanent Secretary for the Department of Justice outlined the requirement for the review of police pay to be made in the context of the letter from the Chief Secretary to the Treasury, dated 21st September 2017. Whilst this detail has aided our understanding of the DoJ's position on public sector pay, relative to the UK, the lack of an overall agreed policy is of concern. This ad hoc system gives rise to the potential for diverging pay policy guidance emanating from each civil service department. However, whilst this system is far from ideal, the greater concern involves the lack of political debate in NI regarding the suitability and sustainability of this pay policy, as set within the specific circumstances of NI's labour market.
- 4.2. Public sector pay in the UK has been set within strict limits since 2010, including a two year pay freeze and a four year 1% pay cap. In the 2015 summer budget the Chancellor announced plans for the continuation of this cap until 2019/20, plans which were, at the time, justified on the basis of low levels of inflation. Despite an update to this public sector pay policy in 2017 which incorporated an element of flexibility, there is the distinct potential that for many public sector workers, the 1% cap will remain a reality, thus generating a decade long endurance of severe pay restraint. As will be detailed elsewhere in this report, the justification for this cap no longer applies, as inflation continues significantly above the target rate of 2%. It is our view that a wider assessment of public sector pay must be made, with particular regards to the UK and NI economies.
- 4.3. Whilst the UK Government's public sector pay policy has come under increasing scrutiny, and despite the Government's assertions that they have 'ended the 1% public sector pay policy'¹, we remain sceptical regarding the realities of this claim. Indeed, the recent pay review decision regarding police pay in England and Wales has reaffirmed our scepticism. In July 2017 the PRRB made a recommendation to the Government for a 2% consolidated pay

¹ HM Treasury, 22 November 2017, Public Sector Pay: Autumn Budget 2017 Brief, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/661439/Public_sector_pay.pdf

award for all police officers in England and Wales. However, whilst the Government publicised the implementation of a 2% award, the realities are of a 1% consolidated award as well as a one-off, non-consolidated 1% bonus payment to be funded from existing police budgets, namely from police reserves. In essence the 1% cap has been upheld for police officers. Should an award of 1% or less be recommended for *all* police officers for 2018/19 – the removal of the 2017/18 1% bonus will, in effect, result in a 0% increase (or potentially an absolute monetary decline) in September 2019.

- 4.4. Should any incoming Minister for Justice, or indeed the current Permanent Secretary of the DoJ, impose a similar 2017/18 award for officers in the PSNI, there are obvious difficulties stemming from the lack of any reserves within the PSNI's finances. As such, we believe that there is an urgent need for a detailed review of PSNI's funding arrangements and that, going forward, extra funding must be made available to fund pay awards as current processes simply exacerbate the funding problem within policing.

5. STRUCTURE OF SUBMISSION

5.1. The initial sections of this submission provided commentary on a number of elements of the pay review process. The remaining sections will focus on the presentation of evidence to address the key elements of the 2018/19 NI remit letter from the Permanent Secretary of the Department of Justice. The submission is structured as follows:

1. The case for the pay award will be based upon:
 - a. A detailed economic analysis of the UK and NI economies;
 - b. Analysis of pay and pay forecasts, including the public/private pay gap;
 - c. The changing value of police pay;
 - d. A case study analysis;
 - e. The PSNI budget and;
 - f. The need for pay parity.
2. In order to contextualise the recommendation for the pay award, evidence will be provided identifying important areas of change within the PSNI workforce. These will include:
 - a. Evidence of the declining size of the PSNI workforce;
 - b. Issues of recruitment and retention;
 - c. Sickness absence;
 - d. On-call and;
 - e. Details of the changing face of policing including changing demand, results from the Inspecting Ranks - Evidence Gathering survey and an overview of neighbourhood policing in NI.
3. Evidence relating to the PFNI recommendation for the Northern Ireland Transitional Allowance (NITA) will include:
 - a. The presentation of data relating to the on-going severe threat in NI and;
 - b. The impact of Brexit.
4. The PFNI recommendation for the dog handler's allowance.
5. The final section of the submission will focus on the on-going review of the Competence Related Threshold Payment (CRTP).

6. ECONOMIC CONTEXT

- 6.1. In this section we will put forward a strong economic argument underpinning the need for an adequate pay award for police officers in Northern Ireland. This argument will include an assessment of the performance of the UK and NI economies, an assessment which is based in cautious optimism following better than expected growth figures. The financial impact of the prolonged period of pay restraint will be outlined alongside evidence of one of the most significant risks facing the economy in the short-to-medium term and the subsequent need for greater household spending power.

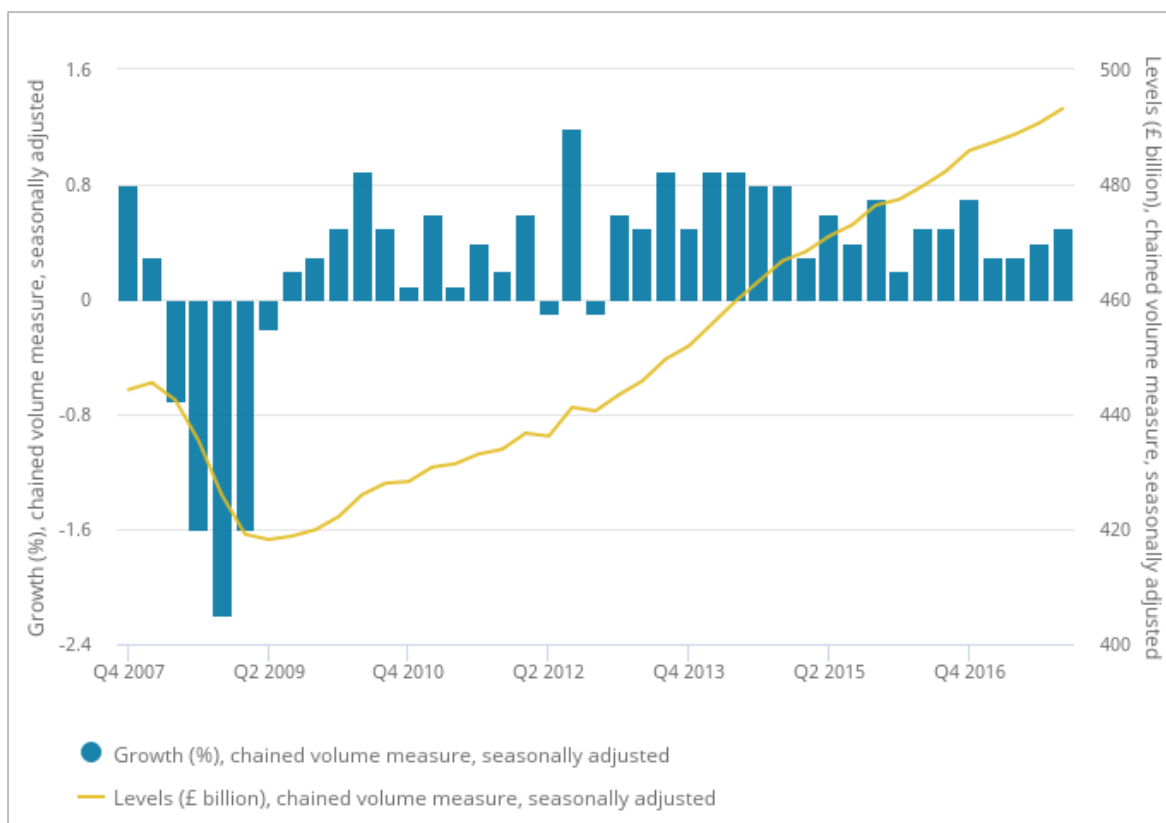
UK Economy

- 6.2. The performance of the UK economy as a whole sets the context within which the assessment of a pay award is made. Whilst it is clear that the current backdrop to the UK economy is based in continued uncertainty following the EU referendum, many of the negative predictions made about the economy in the lead up to the public vote have not materialised. As such there is reason to be optimistic about the performance and stability of the economy in the coming years, however a degree of caution must be retained.
- 6.3. The UK's Gross Domestic Product (GDP) grew by 2.2% in 2015 and although the forecast growth for the UK economy for 2016 stood at 1.5% in the month following the EU referendum², the economy actually expanded by 1.9%. This positive growth has continued through 2017 with annual growth of 1.8% including 0.5% growth in Q4 which was up from 0.4% in Q3 and 0.3% in Q1 and Q2³. Indeed as shown in Figure 1 the UK's GDP has grown for each of the last 20 consecutive quarters.

² HM Treasury, July 2016, Forecasts for the UK Economy: a comparison of independent forecasts, <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-july-2016>

³ ONS, January 2018, Gross Domestic Product, preliminary estimate: October to December 2017, <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/grossdomesticproductpreliminaryestimate/octobertodecember2017>

Figure 1: Quarterly growth and seasonally adjusted GDP, UK; Q4 2007 to Q4 2017



Source: ONS

- 6.4. Although the uncertainties surrounding Brexit continue to keep GDP growth forecasts somewhat subdued, the overall picture is one of continued growth including a growth forecast of 1.4% in 2018 and 1.5% for 2019⁴ by the Treasury and 1.4% in 2018 and 1.3% in 2019 according to the Office of Budget Responsibility⁵.

Productivity

- 6.5. As noted in the letter from the Chief Secretary to the Treasury, greater flexibility in the pay award would be considered ‘in return for improvements to public sector productivity’. The most recent UK public service productivity release from the ONS reported that total public service productivity in Q3 2017 increased by 0.7% relative to Q2. As such public sector productivity has returned to 2016 Q2 levels⁶.

⁴ HM Treasury, November 2017, Forecasts for the UK Economy: a comparison of independent forecasts, <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-november-2017>

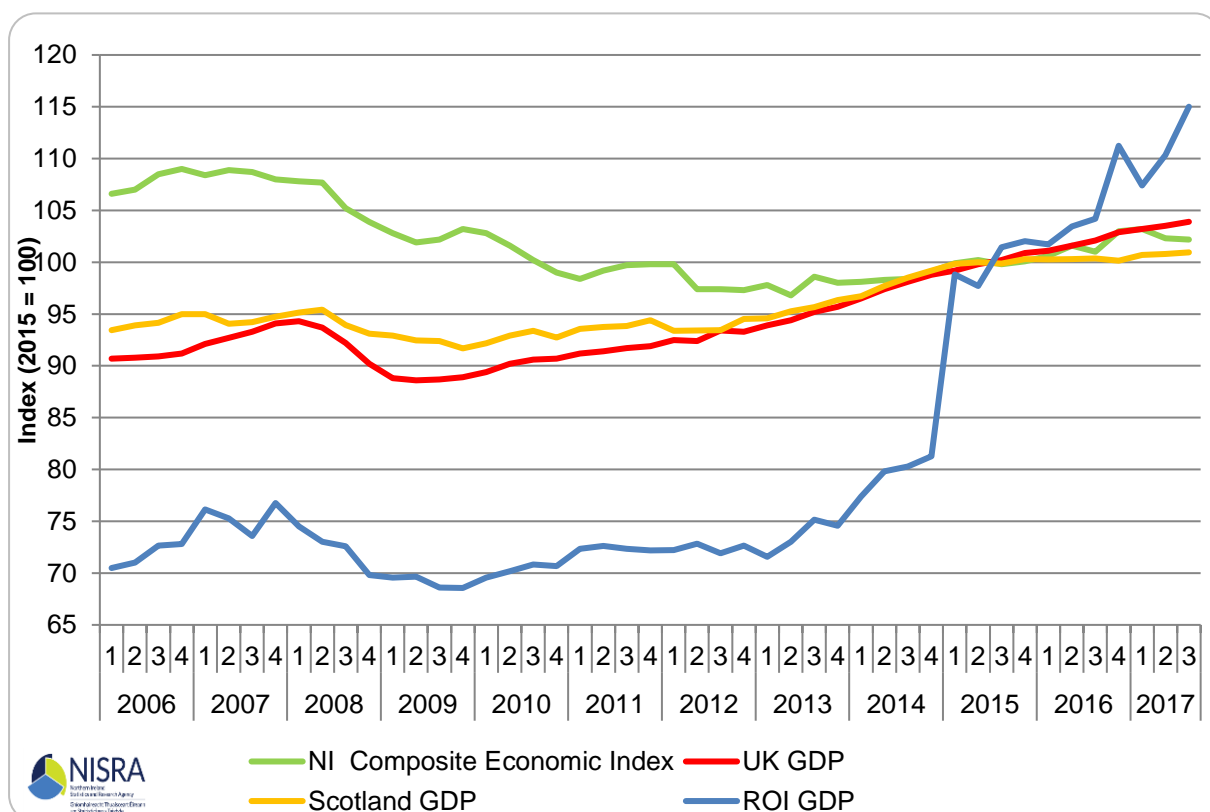
⁵ OBR, November 2017, Economic and Fiscal Outlook, <http://obr.uk/efo/economic-fiscal-outlook-november-2017/>

⁶ ONS, 5 January 2018, Quarterly UK public service productivity (experimental statistics): July – September 2017, <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/articles/quarterlypublicserviceproductivityexperimentalstatistics/julytoseptember2017>

NI Economy

- 6.6. Economic activity in NI has not fared quite as well as the UK, although there are indications that NI's economic recovery is on-going. Evidence of the performance of NI's economy is provided through the NI Composite Economic Index (NICEI) and whilst the evidence in Q3 2017 shows a short-term decline of 0.1% over the quarter, there was a 1.2% increase over the year to Q3⁷.
- 6.7. Despite differences in the measures used to produce the NICEI compared with UK GDP, it is possible to provide a close, short term approximation. As shown in Figure 2 NI economic activity, relative to 2015, has grown more slowly than the UK average. The UK economy grew by 1.7% over the year to Q3 2017, whereas NI output increased by 1.2%. This compares to 0.6% growth in Scotland over the year to Q3. The Irish economy continued to outperform all three regions, with growth of 4.2% over the year to Q3 2017.

Figure 2: Comparison of NICEI with UK, Scotland and ROI GDP (Q3 2017)



⁷ NISRA, January 2018, Northern Ireland Composite Economic Index: Quarter 3 2017, <https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/NI-Composite-Economic-Index-Statistical-Bulletin-Q3-2017.pdf>

NI Labour Market

- 6.8. Analysis of NI's labour market is somewhat mixed. As of September 2017 there were 752,040 employee jobs in NI⁸, up from 729,740 in September 2015 and from 739,640 in June 2016. Over the year to September 2017 employee jobs increased across the manufacturing services and construction sectors. The number of public sector employees in NI declined over the quarter to Q3 2017 (-0.1%), however an increase of 0.3% over the year was recorded. In contrast there was a 0.5% increase in the private sector jobs over the quarter and a 2.1% increase over the year.
- 6.9. NI's unemployment rate fell to 3.8% between September and November 2017 a decline of 0.9pps over the quarter, 1.8pps over the year and the lowest rate in ten years. NI's unemployment rate is now lower than UK rate of 4.3% and the fourth lowest of the twelve UK regions⁹. The number of people claiming unemployment benefits declined by 3,600 over the year to December 2017. At the same time however, NI's employment rate was 69.0% for the period September to November 2017, which is below the UK average of 75.3% and the lowest among the UK regions. Economic inactivity has been rising and at 28.2% has increased by 1.7pps over the year. This is significantly higher than the UK average rate of 21.2%. When taken in combination, these trends suggest that the decline in unemployment in NI is being offset by increasing economic inactivity rather than significant increases in employment.

NI Economic Commentary

- 6.10. With evidence of NI's economic recovery continuing throughout 2017, key economic forecasters were forced to revise their economic predictions during the course of the year:
- Danske Bank's Chief Economist, Conor Lambe, increased his expectation of NI's annual economic performance from just 0.8% growth in Q1 2017 to 1.2% in Q3¹⁰.

⁸ NISRA, December 2017, NI Quarterly Employment Survey, Q3 2017, https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/34ED_20173%20Publication%20Documentv4.pdf

⁹ NISRA, January 2018, NI Labour Market Report, <https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/Ry6v9-labour-market-report-january-2018.pdf>

¹⁰ Danske Bank, 2017, NI Quarterly Sectoral Forecasts, 2017 Q1 & 2017 Q3, <https://danskebank.co.uk/en-gb/About-the-bank/Bank-in-brief/Economic-Research/Pages/IndustrySectoralForecasts.aspx>

- The Ulster University Economic Policy Centre (UUEPC) have increased their Gross Value Added (GVA) forecasts from 0.9% growth for 2017 in their winter publication to 1.1% in their summer publication. Indeed the UUEPC predict that NI GVA growth will remain positive and above 1% each year 2018, 2019 and 2020¹¹.
- In January 2017, Richard Ramsey, the Chief Economist for Ulster Bank noted his pessimism for the NI economy stating it would ‘do well to avoid recession in 2017’ and forecasting growth of 0.5% at best¹². However, by the beginning of October, Ramsey was more optimistic citing the defiance NI’s economy has shown against both political and economic uncertainty¹³.
- PwC’s economic outlook published in November of 2016 predicted annual growth in NI of 0.6% in 2017¹⁴. By November 2017 this had been uprated to 1.1%¹⁵.

6.11. Economic forecasts for the Northern Ireland economy in 2018 point to continued economic resilience with predictions of sustained growth. Danske Bank’s Q4 2017 Sectoral Forecast estimates a 1.0% growth rate in 2018¹⁶ and the Ulster University Economic Policy Centre expects a growth rate of 1.2% in 2018¹⁷.

¹¹ Ulster University Economic Policy Centre, 2017, Summer Outlook & 2016 Winter Outlook, <https://www.ulster.ac.uk/business/epc/publications>

¹² Ramsey, R. Irish News, 10 January 2017, Diverging economic picture set to continue in 2017, <http://www.irishnews.com/business/2017/01/10/news/diverging-economic-picture-set-to-continue-in-2017-869254/>

¹³ Ramsey, R. 9 October 2017, Ulster Bank, New order rise at fastest pace in year-to-date, <https://ulstereconomix.com/2017/10/09/new-orders-rise-at-fastest-pace-in-year-to-date/>

¹⁴ PwC, November 2016, UK Economic Outlook, <https://www.pwc.co.uk/services/economics-policy/insights/uk-economic-outlook/november-2016.html>

¹⁵ PwC, November 2017, UK Economic Outlook, <https://www.pwc.co.uk/economic-services/ukeo/ukeo-nov17-full-report.pdf>

¹⁶ Danske Bank, 2017, Northern Ireland Quarterly Sectoral Forecasts, 2017 Q4, <https://danskebank.co.uk/-/media/danske-bank/uk/business/economic-research/quarterly-sectoral/danske-bank-northern-ireland-quarterly-sectoral-forecasts-2017-q4-final--la=en.pdf>

¹⁷ Ulster University, Economic Policy Centre Outlook – Winter 2018, https://www.ulster.ac.uk/_data/assets/pdf_file/0016/254005/UUEPC_Outlook_Winter2018_FINAL.pdf

Consumer Spending

- 6.12. In our December 2016 submission we referenced a number of issues which had the potential to negatively impact upon the prospects of the NI economy. Central to this was the ongoing impact stemming from ‘Brexitity’ (the uncertainty of Brexit alongside the continued austerity agenda). However, we also made reference to the decline in the value of sterling, the associated rise in inflation and the impending ‘cost of living crunch’. As will be evidenced, the impact of the latter is now beginning to materialise and, if not addressed, has the potential to be the most immediate risk facing both the UK and NI economies.
- 6.13. Consumer spending is critical to the performance of the UK and NI economies. In the mid-1970’s household expenditure in the UK was worth approximately 55% of GDP; today it is worth 65%. On this measure, the UK ranks second only to the US when compared with the G7 countries. With GDP not measured in NI, experimental input-output accounts have been analysed to identify the relative importance of consumer spending to the local economy. This analysis identifies an even greater reliance, with consumer spending worth approximately 75% of NI’s GDP¹⁸.
- 6.14. Household spending accounted for almost all of the UK’s GDP growth in 2016. The importance of household spending to the UK economy has continued through 2017; indeed the main driver of the UK’s 0.4% growth in GDP in Q3 2017 was driven by a 0.6% increase in household spending¹⁹. Any significant reduction in spending power would therefore have serious consequences for economic growth. EY’s Chief Economist, Neil Gibson, recently reported that he is ‘fundamentally nervous about the consumer’s ability to keep recovery going²⁰’. Despite this, the current government’s fiscal plans remain contingent upon the continuation of consumer led growth. There are a range of measures which provide an assessment of the potential continued performance of consumer spending. Recent analysis provides evidence of the following:

¹⁸ Magill, M., McPeake, M., & Buchanan, J. 2017, Consumption led growth in an era of squeezed incomes, University of Ulster Economic Policy Centre, https://www.ulster.ac.uk/_data/assets/pdf_file/0018/181413/Scoping-report_Draft-final-report.pdf

¹⁹ ONS, November 2017, Second Estimate of GDP: July to September 2017, <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/secondestimateofgdp/julytoseptember2017>

²⁰ Gibson, N. 2017, Northern Ireland Economic Conference 2017, Armagh

- An increase in the proportion of household spending which is financed by borrowing – a precarious economic context which is not sustainable in the long term. The demand for unsecured lending from households increased by almost 10% in the first half of 2017, with a slight reduction in this demand in the second half of the year²¹;
- An increase in UK household debt to income ratios, which although currently below the peak of the late 2000s, has increased from 140.8% in Q1 2016 to 142.6% in Q4 2016²². Levels of household debt in UK are among the highest of the G7, at 80% of GDP in 2015, second only to Canada²³;
- Although there is no specific data on household debt or unsecured credit in NI, research by the Money Advice Service reported a higher proportion of over-indebted people in NI than any other UK region, with more than 1 in every 5 over-indebted²⁴;
- There is also evidence of a decline in the proportion of UK disposable income which is saved, declining from 5.6% in Q2 2017 to 5.2% in Q3 2017. This is low by historical standards and has only been lower than this twice in the previous 20 years²⁵;
- Danske Bank's Consumer Confidence Index Q4 2017 identified a sharp fall in consumer confidence, down by 12 points compared with Q3; this is the lowest consumer confidence index since 2013. Q4 also witnessed a marked decline in confidence around current household finances and future household finances²⁶;

²¹ Bank of England, January 2018, Credit Conditions Survey, Survey Results Q4 2017, <https://www.bankofengland.co.uk/credit-conditions-survey/2017/2017-q4>

²² Harari, D. 2017, Household Debt: statistics and impact on economy, House of Commons Briefing Paper, No: 7584

²³ Lombardi, M., Mohanty, M., & Shim, I. (2017) The real effects of household debt in the short and long run. BIS working papers, number 607

²⁴ Money Advice Service, 2016, A Picture of Over-Indebtedness, <https://www.moneyadviceservice.org.uk/en/corporate/a-picture-of-over-indebtedness>

²⁵ ONS, December 2017, Monthly Economic Commentary: December 2017, ONS, <https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/articles/monthlyeconomiccommentary/deceember2017>

²⁶ Danske Bank, January 2018, Consumer Confidence Survey 2017 Q4, <https://danskebank.co.uk/business/economic-analysis/consumer-confidence-index>

- Visa's UK Consumer Spending Index has identified a continued decline in household spending with a 1.2% decline in the year to January 2018. According to this Index household spending in the UK has fallen in eight of the past nine months²⁷;
- Richard Ramsey, Chief Economist for Ulster Bank, comments that falling new car sales in NI, which are down over 5% over the year, act as a key barometer of consumer confidence and a meaningful indicator of the health of the consumer²⁸.

6.15. With savings falling and debt increasing, it is inevitable that debt re-payment will involve households spending a greater proportion of their income on debt servicing, a trend which will undoubtedly alter household spending patterns. **In order to counteract the effects of this on the wider economy and ensure high levels of consumption are sustained, it is imperative that real wage increases are achieved.**

²⁷ Visa, February 2018, Visa's UK Consumer Spending Index,
<https://resources.mynewsdesk.com/image/upload/bppi1ynke9fdartp7n5p.pdf?hootPostID=de901d2a93cece6155f64dd59f3b8d4c>

²⁸ Ulster Bank, November 6 2017, No surprise that new car sales are falling,
<https://ulstereconomix.com/2017/11/06/no-surprise-that-new-car-sales-are-falling/>

Inflation

6.16. The actual value of wages are dependent on both the size of the pay packet and the price of household goods and services. Starting with the price of goods and services, both of these elements will be assessed with respect of the changing value of pay. One of the biggest economic stories of 2017 has been the rising levels of inflation; this rise has been evident across all three main inflationary measures including the Retail Price Index (RPI), the Consumer Price Index (CPI) and the new Consumer Price Index including owner occupiers' housing costs (CPIH). In 2017 all three measures stood significantly above the Bank of England inflation target of 2.0%, as shown in Table 1. The percentage change in inflation over the 12 months to December 2017 is the highest rate experienced in the UK in six years. Both CPIH and CPI remained unchanged in the first month of 2018, with a 0.1pp decline in RPI.

Table 1: RPI, CPI & CPIH - 12 month percentage change, 2012- 2018 (January)

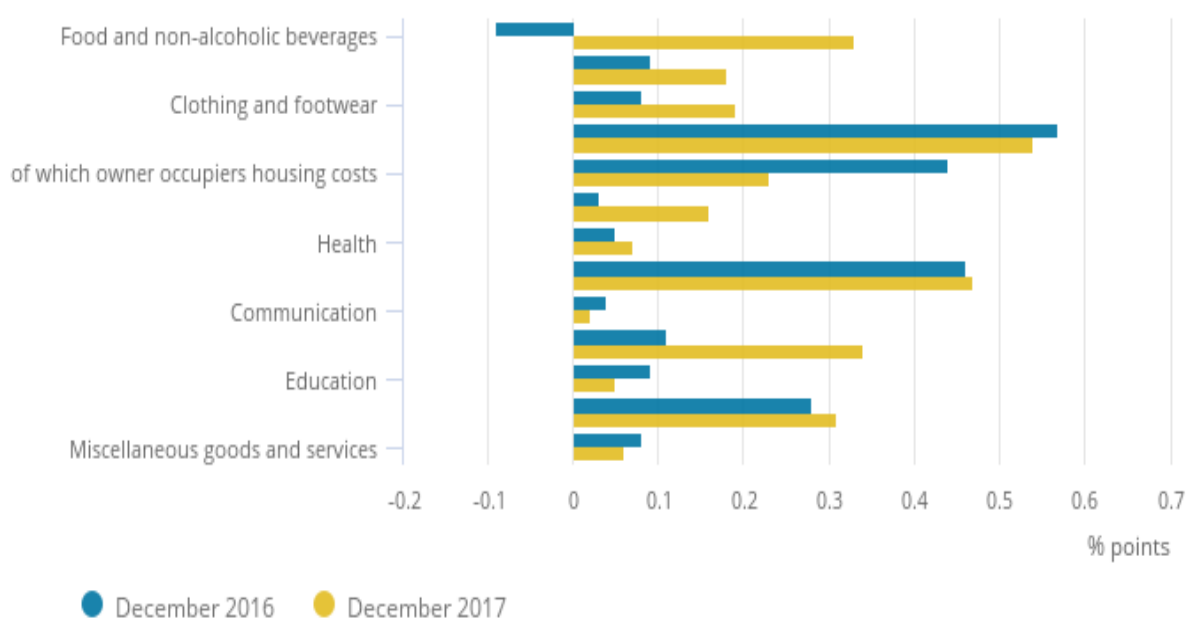
	RPI	CPI	CPIH
2012	3.2	2.8	2.6
2013	3.0	2.6	2.3
2014	2.4	1.5	1.5
2015	1.0	0.0	0.4
2016	1.8	0.7	1.0
2017	4.1	3.0	2.7
2018 (Jan)	4.0	3.0	2.7

Source: ONS

6.17. As shown in Figure 3 the growth in CPIH in December 2017 is the direct result of rising prices across *all* broad categories of goods and services – an indication that rising prices are being experienced across the board. This data also gives an indication of the key areas of expenditure which are contributing to squeezed household incomes. These include transport costs which are up 0.47%, the cost of food and non-alcoholic beverages which have increased by 0.33% and housing and household services (including water, electricity, gas and other fuels) which have increased by 0.54%²⁹.

²⁹ ONS, 16 January 2017, UK Consumer price inflation: December 2017, <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/december2017>

Figure 3: Contributions to the CPIH 12-month rate: December 2016 and December 2017



Source: ONS³⁰

6.18. However, the way in which inflation impacts upon household spending differs depending upon the shopping patterns of each household – i.e. different household types will experience inflationary pressures in different ways. As such the average inflation rates quoted above can be misleading as no one household will have identical spending patterns to those included in the inflation measurements, whilst different items have different inflation rates.

6.19. To more fully understand the potential impact of inflation on household expenditure a more detailed breakdown of everyday inflationary pressures is presented in Table 2. This data shows the 12-month percentage change in the cost of 17 everyday goods and services in the year since December 2016. The 0.33% increase in the cost of food and non-alcoholic beverages identified in Figure 3 above masks a number of more stark realities including a 9.1% increase in the cost of fish, 19.1% increase in the cost of butter and an 11.8% increase in the price of coffee. As outlined similar increases are also evident for clothing, electricity and in the operation of personal and public transport services.

³⁰ ONS, 16 January 2017, UK Consumer price inflation: December 2017, <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/december2017>

Table 2: CPIH 12 month percentage change, December 2017 - selected items

<i>Bread and cereals</i>	+4.2
<i>Meat</i>	+4.2
<i>Fish</i>	+9.1
<i>Butter</i>	+19.1
<i>Potatoes</i>	+1.8
<i>Coffee</i>	+11.8
<i>Chocolate</i>	+2.5
<i>Wine</i>	+3.0
<i>Beer</i>	+3.8
<i>Garments for men</i>	+5.4
<i>Garments for women</i>	+3.3
<i>Garments for infants (0-2) and children (3-13)</i>	+3.2
<i>Electricity</i>	+11.4
<i>Diesel</i>	+4.7
<i>Petrol</i>	+4.6
<i>Passenger transport by train</i>	+2.2
<i>Passenger transport by bus and coach</i>	+10.5

Source: ONS

6.20. The high level of inflationary pressure on household income looks set to continue over the short-to-medium term, as predicted by the HM Treasury assessment of independent forecasts.

Table 3: Medium Term Inflation Forecasts, 2018-2021

YEAR	CPI	RPI
2018	2.6	3.4
2019	2.1	3.1
2020	2.1	3.2
2021	2.0	3.1

Source: HM Treasury³¹

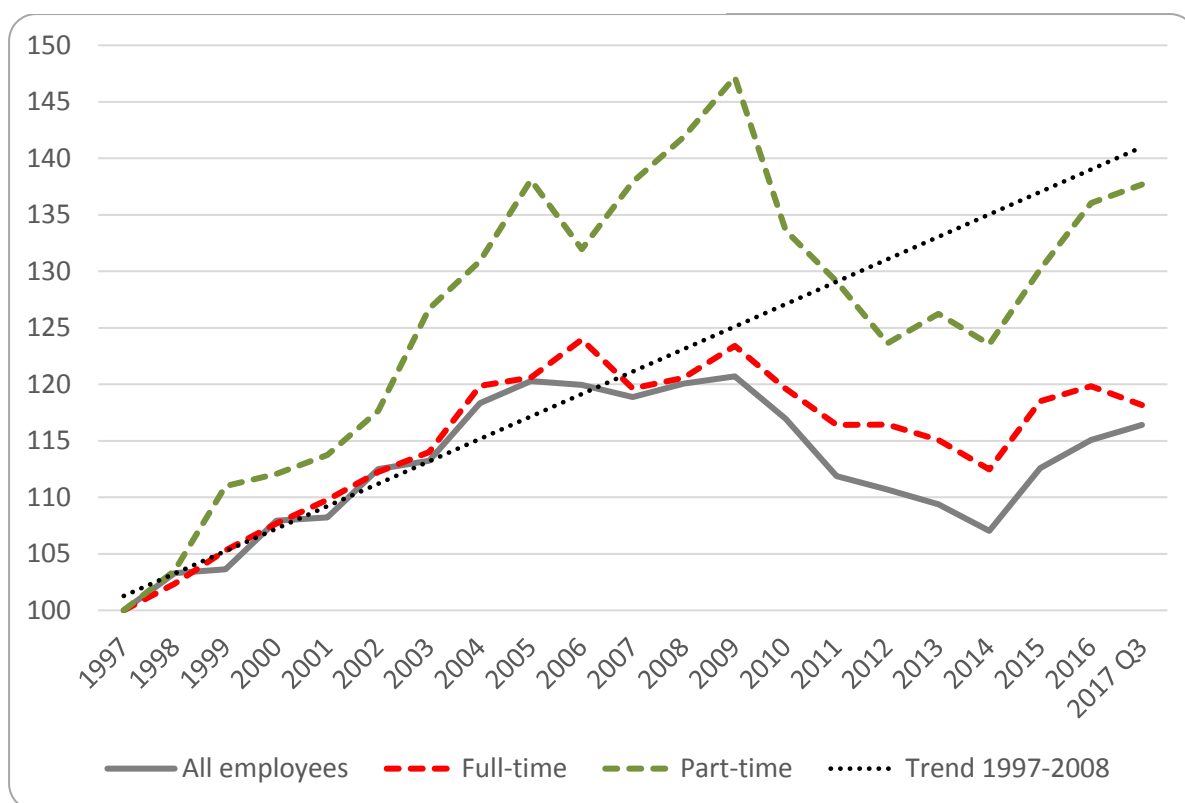
³¹ HM Treasury, November 2017, Forecasts for the UK Economy: a comparison of independent forecasts, <https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-november-2017>

Pay

6.21. In our last submission we made reference to the early signs that improving economic conditions in NI were being reflected in increased wages. Between April 2015 and April 2016 total gross weekly earnings in NI increased from £382 to £393 (+2.9%), with full-time weekly earnings increasing from £485 to £495 (+2.2%). However, whilst total gross weekly earnings increased to £410 in April 2017 and full-time weekly earnings surpassed £500 for the first time, the impact of rising inflation saw the real value of earnings *decline* by 1.0%³².

6.22. This depreciation in the value of full-time weekly earnings has contributed to a slowdown in growth in NI's real wage index as shown in Figure 4. Full-time weekly earnings have fallen back to their 2015 level and remain below their 2009 peak. Furthermore, total weekly earnings remain some 25% below where they would have been had they continued on the 1997-2008 trend.

Figure 4: Real wage index, Northern Ireland 1997-Q3 2017



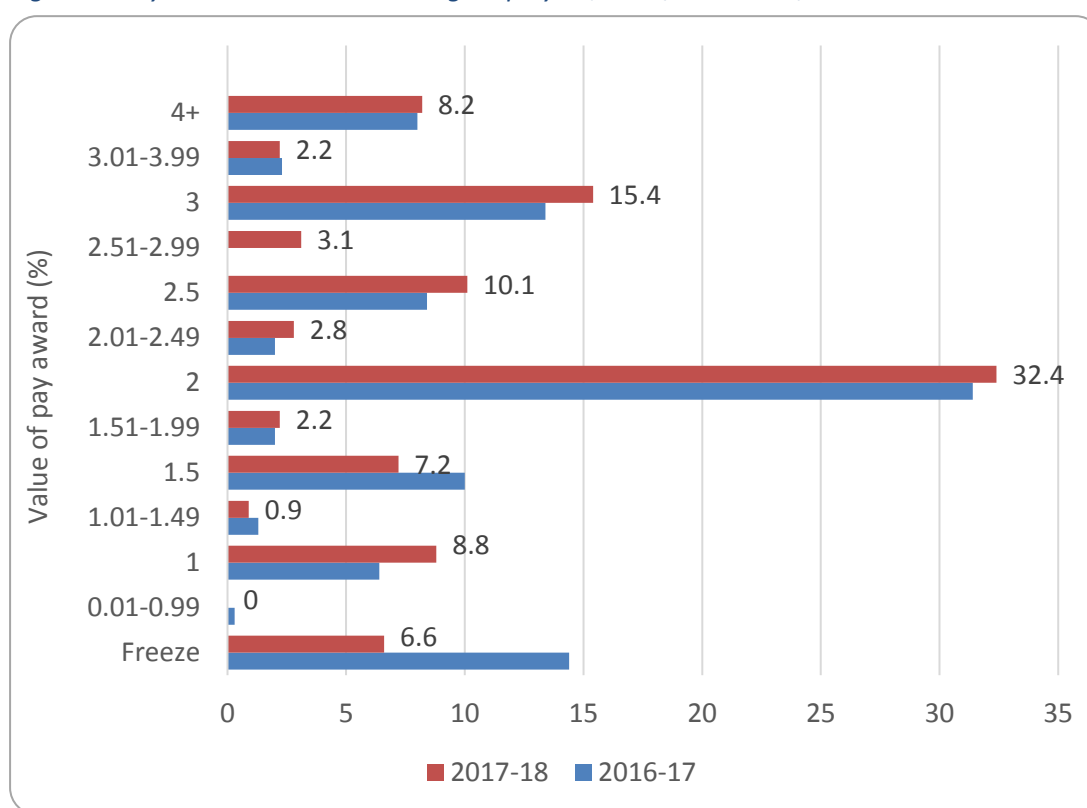
Source: ASHE Data. Authors Calculations. Data shown are for gross weekly earnings. Nominal wages have been adjusted by annual UK Consumer Prices Index (CPI) and indexed to 1998

³² NISRA, 2017, Northern Ireland Annual Survey of Hours and Earnings, October 2017, <https://www.nisra.gov.uk/statistics/labour-market-and-social-welfare/annual-survey-hours-and-earnings>

Pay Prospects

6.23. XpertHR report that the median basic pay award in the three months to the end of December 2017 was 2%³³, this has remained at this level for 12 consecutive quarters. However, based upon the unweighted average of 11 expert analyst predictions, XpertHR forecast this will rise to 2.5% growth in average earnings in 2018³⁴. XpertHR conduct a yearly survey of approximately 300 employee groups seeking views on pay award intentions over the coming year. Figure 5 provides details of this survey for the 2016/17 and 2017/18 financial years.

Figure 5: Pay award intentions among Employers, 2016/17 & 2017/18



Source: XpertHR

6.24. A 2% pay award remains the most commonly predicted award. However, there has been a notable decline in the percentage of businesses predicting a pay freeze, from 14.4% to 6.6% as well as a decline in those predicting an award below 2%. Consequently there has been an increase in the number of employers predicting a pay award greater than 2%, from 34% to 41.8% of employers.

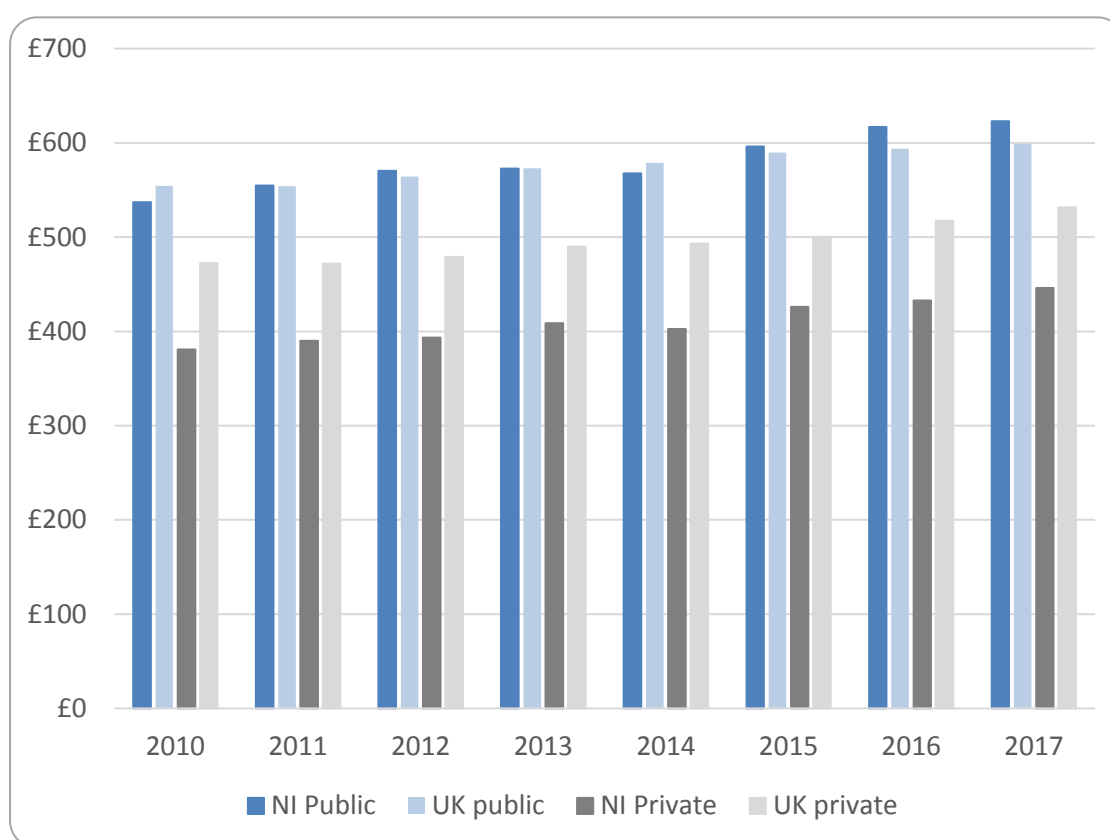
³³ Attwood, S. 2018, XpertHR, Pay Trends January 2018: first deals of new year examined, <https://www.xperthr.co.uk/survey-analysis/pay-trends-january-2018-first-deals-of-new-year-examined/162810/>

³⁴ XpertHR, November 2017, Average Earnings, <http://www.xperthr.co.uk/indicators/average-earnings/16285/>

Public / private pay gap

6.25. Much of the debate surrounding public sector pay involves an analysis of the difference between pay in the public and private sectors as a means of exploring the competitiveness of public sector pay relative to the private sector. At the centre of this is the assertion that public sector workers earn more than workers in the private sector. Indeed, a direct comparison of the median gross full-time weekly wages of public and private sector workers in NI and the UK does provide evidence of a 'public sector pay premium', as shown in Figure 6.

Figure 6: Median gross FT weekly earnings in NI and the UK, 2010-2017



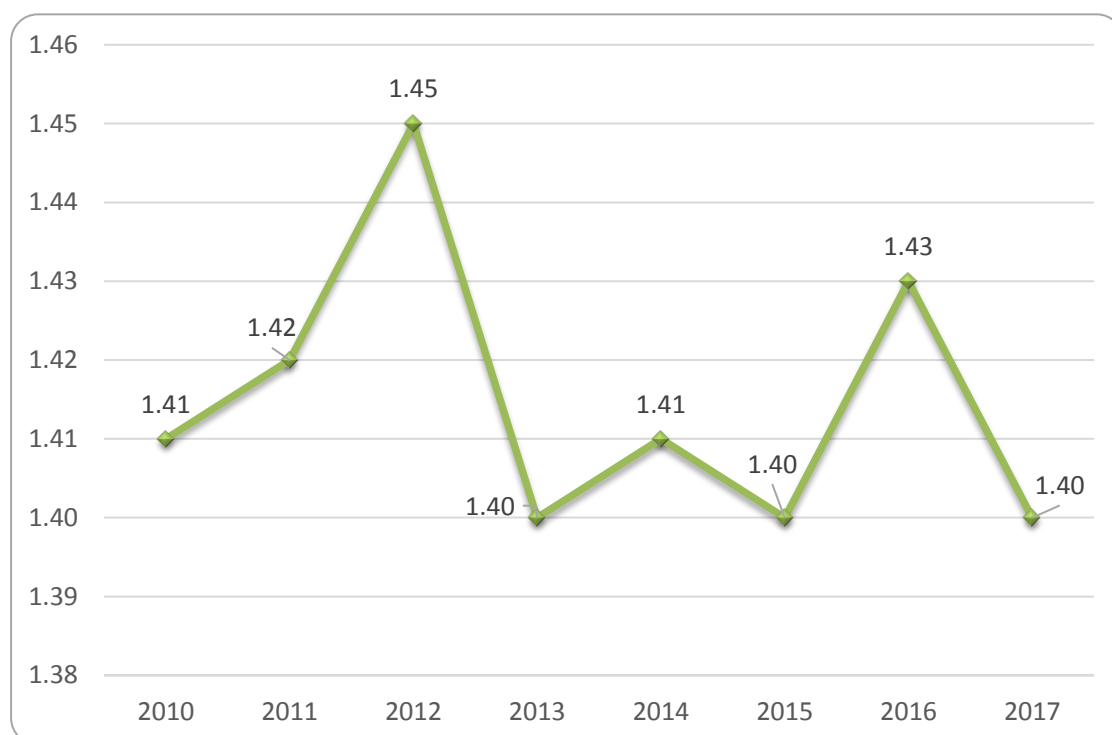
Source: ASHE³⁵

6.26. Assessments of this public/private pay gap are typically reported as a ratio of median weekly wages. As shown in Figure 7, the ratio in NI increased from 1.41 in 2010 to a high of 1.45 in 2012, owing to the much quicker decline in private sector pay following the crash of 2008. However, with public sector pay restraint in place since 2011 the ratio has broadly aligned at

³⁵ NISRA, October 2017, Northern Ireland Annual survey of Hours and Earnings, <https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/4xu-NI-ASHE-Bulletin-2017.PDF>

1.40/41. The slight increase to 1.43 in 2016 is a result of low levels of inflation which effectively countered the public sector pay cap – a feature which was used to justify the continuation of this cap. The pay gap in NI is larger than that in the UK, which averaged at 1.17 between 2010 and 2017, however this is a *direct reflection* of significantly lower private sector pay in NI relative to the UK.

Figure 7: Public private sector pay gap in Northern Ireland, 2010-2017



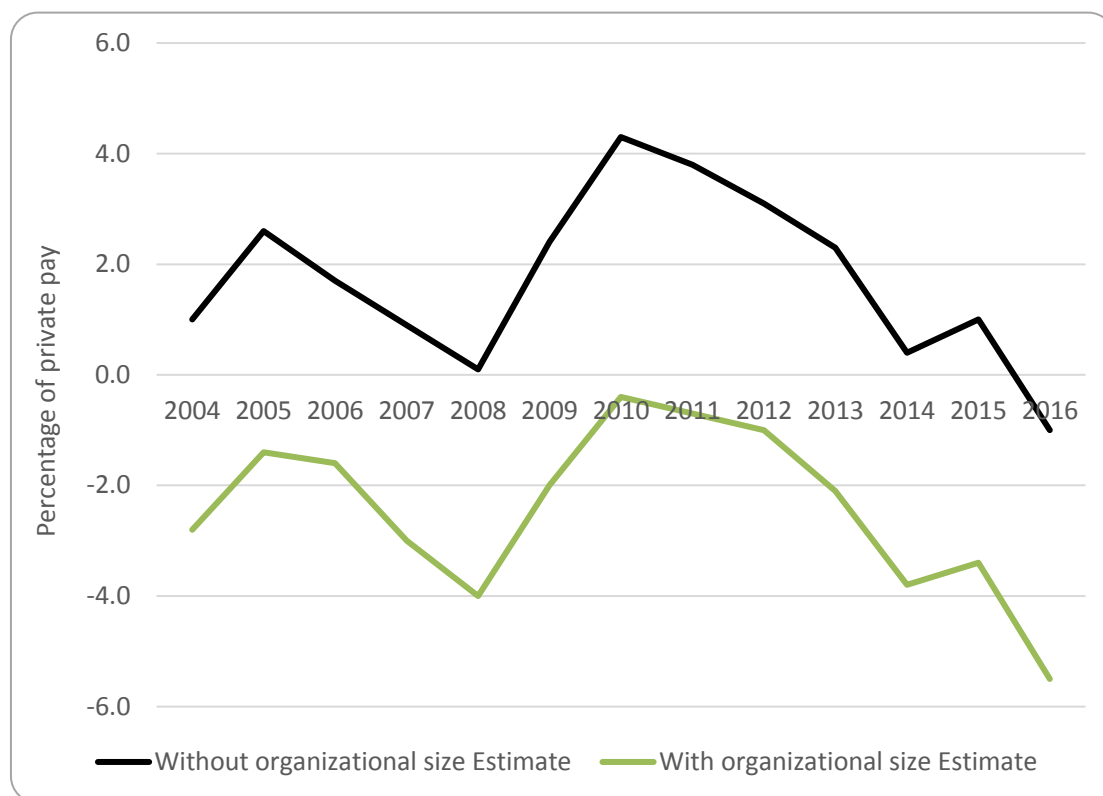
Source: ASHE; Authors Calculations

6.27. Whilst the assertion of higher average pay in the public sector is *technically* correct, the analysis is, however, both crude and misleading due to the vastly different compositional make-up of employees and employment in the public and private sectors. Indeed, the Republic of Ireland's Central Statistics Office recently made this very point owing to the significant level of heterogeneity evident between the two sectors³⁶. In order to provide a more representative comparison, regression analyses have been conducted enabling differences in workforce characteristics to be accounted for. Such attempts to understand the 'true' public-private sector pay differential vary widely depending upon the independent variables included and the measure of pay assessed. The through-time analysis conducted by the ONS is based upon the log of bonus-adjusted hourly earnings excluding overtime, the

³⁶ Central Statistics Office, 2017, Econometric analysis of the public/private sector pay differential 2011-2014, Dublin, <http://www.cso.ie/en/media/csoie/newsevents/researchpaper/EconA20112014.pdf>

results of which are shown in Figure 8. This analysis identifies how the pay gap has changed between 2004 and 2016 in the UK, accounting for sex, age, occupational classification, region, sector, full or part-time status, permanent or temporary status, job tenure and organisation size.

Figure 8: Average difference in mean hourly pay (excluding overtime) between public and private sector, UK 2004 - 2016



Source: ONS³⁷

- 6.28. In this analysis a positive number represents a pay gap in favour of the public sector and a negative number represents a gap in favour of the private sector. The regression model indicates that, when controlling for the IV's previously outlined (excluding organisational size) the public sector 'premium' has reduced significantly between 2010 and 2016. This identifies that the period of public sector pay restraint has witnessed public sector pay decline from being 4.3% higher than private sector pay in 2010 to 1% lower in 2016. Furthermore, when controlling for organisational size it is apparent that employees in the public sector persistently earn less than those in the private sector; including a difference of -5.5% in 2016.

³⁷ ONS, 2016, Analysing factors affecting earnings using Annual Survey of Hours and Earnings, <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/analysisoffactorsaffectingearningsusingannualsurveyofhoursandearnings/2016>

6.29. According to the ONS, whether accounting for organisational size or not, **the growth in mean hourly earnings for employees in the private sector have grown faster (controlling for all other factors) than in the public sector between 2015 and 2016**. This is a reflection of both public sector pay restraint and genuine higher rates of growth in the private sector³⁸.

³⁸ ONS, 2016, Analysing factors affecting earnings using Annual Survey of Hours and Earnings, <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/analysisoffactorsaffectingearningsusingannualsurveyofhoursandearnings/2016>

Police Earnings

6.30. The Police Workforce Census³⁹ benchmarks police earnings in Northern Ireland against those in England and Wales. This data excludes officers with ‘unusual pay’ such as those who have changed rank during the year, entered the police service during the year, changed working hours, taken parental leave, long-term sick leave or a career break at any point during the year. The data provided in Table 4 shows the median annual total pay and median annual basic pay for officers across the Federated ranks in NI and in England and Wales.

6.31. The median total pay for a Constable in NI is £6,963 more in NI than in England and Wales. Sergeant’s median pay is £8,021 higher, Inspectors total pay is £2,554 higher, whilst Chief Inspectors is £4,280 higher. However, these differences are a *direct result* of the provision of the NITA in NI, the continued provision of CRTP and higher levels of overtime. The impact of these factors is evident in the comparison of median basic pay between NI and England and Wales which differs by just £373 for Constables. This small difference is a reflection of the delayed removal of pay points from the Constable pay scale in NI, relative to England and Wales, a process which completed in April 2017.

Table 4: Median total pay & median basic pay, NI and England & Wales, 2016/17

	Constable	Sergeant	Inspector	Chief Inspector
Total pay				
Northern Ireland	£46,883	£55,274	£57,354	£62,559
England and Wales	£39,920	£47,253	£54,800	£58,279
Basic pay				
Northern Ireland	£37,845	£42,532	£52,595	£55,878
England and Wales	£37,472	£42,532	£52,595	£55,878

Source: IFF Research

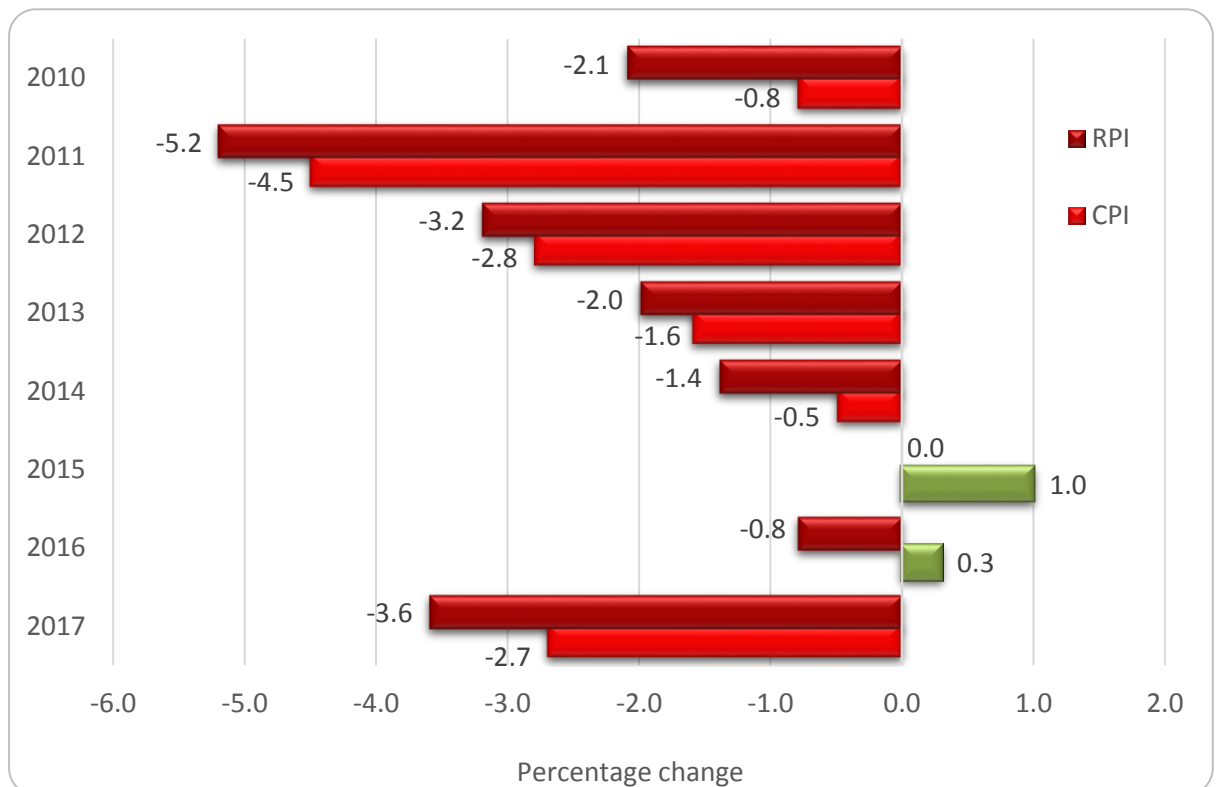
6.32. The prolonged period of public sector pay restraint has had a significant negative impact on police salaries, with salaries failing to keep pace with inflation. The evidence provided below outlines the financial impact, in absolute terms, on police salaries as well as an update of the analysis provided in our previous submissions regarding the real-terms impact upon mid-point salary scales. However, providing this evidence has been complicated by the ongoing delay in implementation of the 2017/18 pay award for police officers in NI. As such the

³⁹ IFF Research, September 2017, Police Workforce Census 2016/17 Headline Report – link unavailable

evidence provided below is based upon the financial position as of January 2018 with no pay award provided in September 2017.

- 6.33. Figure 9 identifies the difference between pay settlements for PSNI officers and CPI/RPI each year 2010 to 2017 (with no pay award implemented in 2017). Since 2010, pay settlements for police officers in Northern Ireland have equalled 6.5%. In contrast inflationary pressures have totalled 18.1% when measured by CPI and 24.8% with RPI over the same period. In absolute terms this has resulted in overall police officer salaries falling 11.6% behind CPI and 18.3% behind RPI.

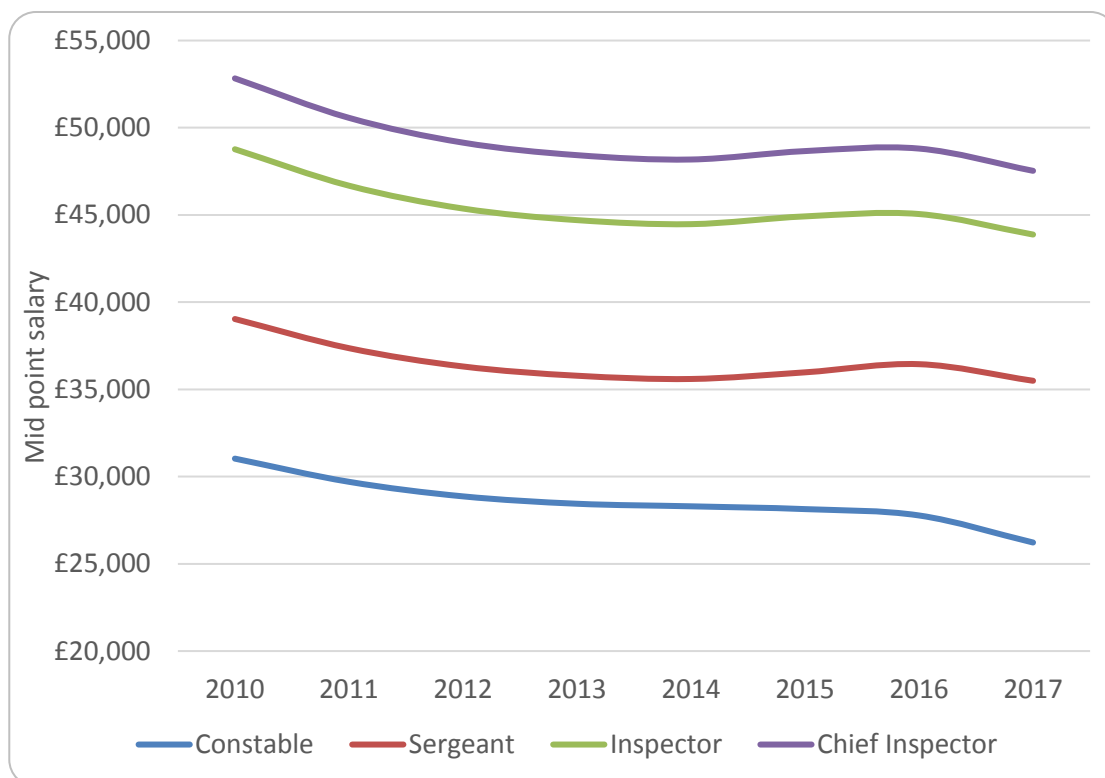
Figure 9: Police officer pay settlements minus CPI and RPI, Northern Ireland, 2010 - 2017



Source: Authors calculations

- 6.34. Figure 10 highlights the real terms, downward trend in the mid-point of each PSNI federated pay scale. 2010 has been chosen as the reference year to account for the onset of the pay freeze in 2011. Salaries have been deflated by CPI as measured by the ONS.

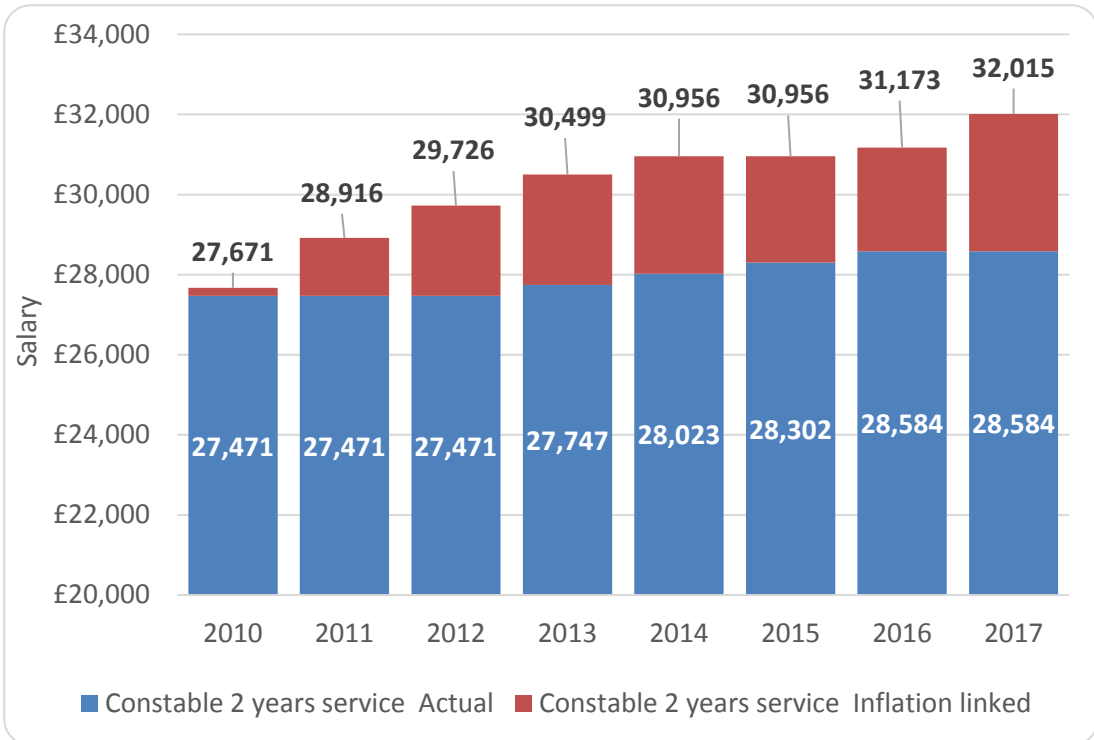
Figure 10: Mid-point salary scales in 2010 prices (CPI) for Constable, Sergeant, Inspector and Chief Inspector ranks



Source: Authors calculations

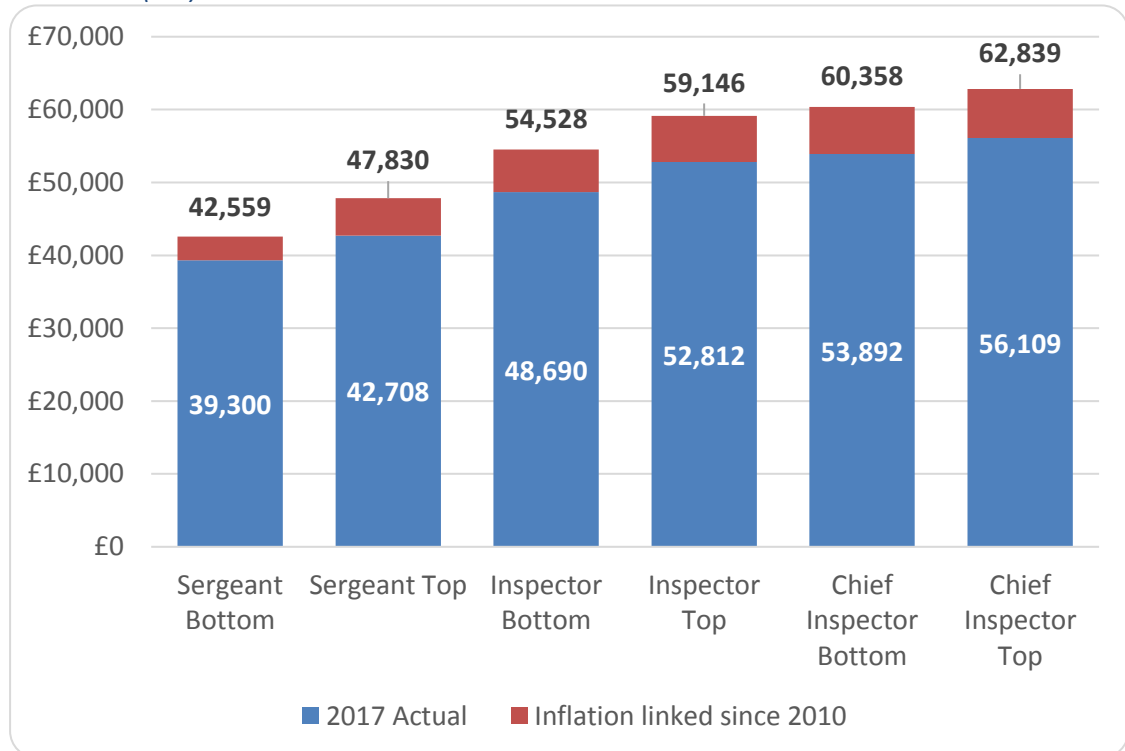
6.35. Each rank has experienced a real terms decline in the value of their salary since 2010, this decline has accelerated in 2017 due to a combination of high levels of inflation and the lack of a pay award. The decline in the value of the midpoint pay scale has been most pronounced for constables who have experienced a 15% real terms decline in just seven years, with the remaining federated ranks experiencing declines of over 10%. To further contextualise this the following charts show where salary levels for each federated rank would have been if they had increased annually at the same rate as inflation.

Figure 11: Pay levels for a Constable with two years' service, actual and inflation linked (CPI)



Source: Authors calculations

Figure 12: Bottom and top pay bands for selected grades, 2017 actual and if inflation linked since 2010 (CPI)



Source: Authors calculations

- 6.36. Tracking police wages since 2010 against CPI would have resulted in a Constable with two years' service earning £32,015 per year in 2017 rather than the current salary of £28,584. Across all grades, current annual salaries would be considerably higher had they kept pace with inflation. For example the top point on the Sergeant's pay scale would be approximately £5,122 greater and the bottom of the Chief Inspector band would be approximately £6,466 greater.
- 6.37. Should the eventual implementation of the 2017/18 pay award mimic that provided in England and Wales, namely the inclusion of a 1% non-consolidated one-off bonus payment, there are obvious ramifications for the real value of any 2018/19 pay award. As this bonus payment is a temporary addition to salary scales, it is anticipated that it will be removed from officer pay at the end of the review round. Therefore, should an award of 1% or less be recommended for *all* officers in 2018/19, the removal of the temporary bonus will in effect nullify the award, and potentially result in an absolute monetary decline. The real terms negative impact of this decline will be further exacerbated by the high inflation levels which are forecast to continue throughout 2018 and 2019. Table 5 outlines the impact of a 2%, 1%, 0.5% and 0% award in 2018/19 for a Constable with 2 years' service if the 1% bonus payment is removed in September 2018.

Table 5: Impact of 2018/19 pay award after the removal of 1% bonus - Constable with 2 years' service

2018/19 AWARD	ABSOLUTE SALARY VALUE	CHANGE (£)
CURRENT SALARY	£28,584	
2% AWARD	£28,867	+ £283
1% AWARD	£28,584	-
0.5% AWARD	£28,441	-£143
0% AWARD	£28,298	-£286

Source: Authors calculations

- 6.38. The removal of the 1% bonus would mean that a 2% award in September 2018 would provide an increase of just £283 on a Constable's annual salary, whilst a 1% award would result in no increase at all. A 0.5% or 0% award would see the absolute value of this annual salary decline by approximately £150 and £300 respectively. However, the real terms value

of these awards will decline further as a result of the continued high levels of inflation, with CPI forecast to run at 2.6% and RPI at 3.4% in 2018 according to HM Treasury.

Case studies

- 6.39. It was envisaged that the PFNI would undertake a second Workforce Survey during 2017, providing a benchmarked assessment of workforce morale and motivation against the results from our 2015 Workforce Survey. However, following the launch of the second PSNI Employee Engagement Survey in May/June 2017 (which gained a response rate of just 32.6%, down from 40.8% for the first PSNI survey), the Federation decided to delay the distribution of the workforce survey until 2018. With a small (relative to England and Wales) and declining sample population from which we can gather evidence, we are understandably concerned regarding the potential for the on-set of respondent fatigue stemming from persistent surveying on related issues. This not only has consequences for survey response rates, but also may have the unintended consequence of negatively impacting morale.
- 6.40. In order to provide some additional information regarding the views and opinions of PSNI officers in NI, a small number of volunteers were sought to participate in a short case study exercise. The aim of this was to provide details of the real life context within which the pay review takes place every year. Whilst surveys are undoubtedly insightful and form a vital component of the evidence submitted to the pay review body, they can lack detail regarding the impact pay awards have on individuals and family units. One-to-one interviews were conducted by the PFNI Researcher with serving officers. Prior to participation officers were briefed on the purpose of the study and provided with an outline of the current pay review process as well as details of the pay awards since 2011. The Researcher ensured each participant of their anonymity and so no identifiable information is provided in the case studies which follow. Verbal consent was gained from each participant.

Case study 1: The absolute reliance on overtime

Constable, 18 years in rank. 6 years since last incremental pay increase

This case study highlighted, in detail, the significant personal and family impact of pay stagnation stemming from the combination of the pay cap, increasing national insurance contributions and increasing pension contributions. The first participant reported that, for him, the main impact of this is the absolute reliance on overtime which is now required in order to 'keep you ticking over'.

Financial impact

He reported that whilst on 'light duties' owing to an injury sustained whilst on duty, he was unable to avail of any overtime for a period of nine months. During this time and whilst relying upon his basic wage, he was **forced to go overdrawn on his bank account** – 'the first time in my life I've been over drawn'. This financial impact was directly attributed to the absence of overtime meaning that 'because I was on the flat rate I simply couldn't manage it'.

Reference was also made to the increased cost of living with the participant reporting that 'I can see that things are more expensive, **yet my money has stayed the same**...I'm having to spend more money on the essentials'. He reported that he has had to make changes to the things he buys, stating that he is a keen cook and enjoys buying good quality products but now 'I've had to stop that, I have to not get the stuff I want to get, I had to go back to the cheaper stuff'. This has also impacted on bigger value purchases which for the 'first time ever we've done it on finance, we've never have to do that before'. The participant reported finding this increased uncertainty **stressful and has added to worries** about any unexpected bills – 'there's no back up plan any more. It's on my mind a lot'.

Family impact

The reliance upon overtime has a direct impact upon family life, with particular reference made to **childcare arrangements**. The respondent's wife is responsible for childcare when he is on duty and works when he is off. However he now feels he *has* to work overtime and so his wife has less time to devote to her work.

This participant also noted that whilst he counted himself lucky that he could draw on additional funds from overtime, he has to be 'in work' to do the overtime and this means 'you don't have as much time off to **spend with your family and enjoy life**'.

Career progression

This participant also referenced the impact necessary overtime has had on his personal development and career progression noting that 'I couldn't afford to go and do an office job in the PSNI, no matter how much I wanted to, say I wanted to develop and go to C3 or intelligence, **I couldn't do it because I couldn't afford it because there's no overtime**. That's a big thing for me now...your career progression is out the window'.

Morale

The impact of continued pay restraint was viewed as another blow from 'a government which have just hit us from every angle'. He reported that police officers are 'fed up with it' and that 'everybody is aware that **we're not valued**, not just by politicians but by our bosses. **Everybody is so demotivated any way**, this is just another bit'.

Case study 2: It's easy to single us out!

Constable, 14 years in rank. 4 years since last incremental pay increase

This case study participant touched on a number of the issues identified within the first case study, including the personal financial impact of the prolonged period of pay restraint. However, the key theme emerging from *this* case study involved the **lack of understanding** of, and **indifference towards**, the need for adequate recognition and recompense for police officers by 'decision-makers'.

Financial impact

This participant identified that a 1% pay rise equates to approximately £40 a month, however he noted that 'with the price of everything increasing at the minute, £40 doesn't cover everything'. He reported that 'people are absolutely aware of the loss in the value of their pay, they are **really feeling the pinch**'. This officer also noted that whilst overtime can partially 'compensate' for this loss, 'then you are working every hour to make that up, so you have to balance between spending time with your family and working extra for your family'. He felt that achieving this balance was so important that he 'couldn't rely on that overtime, so you need to be quite frugal with your money now'.

This participant said that in the last year his gas bill went up by 7% and his electricity by 6% - a 1% award 'wouldn't even cover that, and that's just two bills'. He reported that food, fuel, car insurance 'everything has gone up, but our wages remain stagnant'. For him and his family the difference between 'these increases and our wages means we **simply can't afford things** the same way we used to be able to'. He reported that he now has to think more carefully about what he can and can't afford, referencing school trips for his children and family holidays which they were unable to take last year. However, he felt that the **key financial impact was on his savings and his ability to save**, 'if you save something per month now you're lucky'. This has caused undue worry and stress because 'before if something broke down in the house, it would be ok because there's savings there, but now you are just hoping that nothing breaks down'.

The pay award

On the continued 1% award, this participant said '1% in real terms is, without giving you nothing, as low as you can go'. He said that his team are very aware of the decisions which have been taken in recent years, reporting that 'we talk to each other about the pay increases and you see it on the news...**all you can do is sit there and shake your head** at every decision in terms of how you are getting paid for the work you do'. He stated that 'I don't think they [politicians] are interested...in the police and **I don't think they really care**...they don't want to look after us properly'. He felt that this indifference was possible because 'it's easy to single us out, we can't go on strike so...they know they've got us, we have no other options. Your choices are, either suck it up...or if you don't like it move away, leave'.

The participant referenced the 'continued decimation of pay' and stated that 'it's demoralising to keep being faced with this, year after year'. Whilst he spoke of the love for his job, he said 'I find it hard, because **I'm not always able to see the worth in it any more**'. He noted that pay and the pay award have a '**big impact upon morale**...people are relating their low morale to pay more and more as they find it tighter financially...you're getting worked harder and harder and you're not getting the financial reward at the end of it...that really is affecting morale'.

He also said that, despite the devolved nature of policing in NI, officers tend to look to England and Wales to see how pay issues are progressing; 'when you see that they're not getting anything it's going to transpire that we're not getting anything...there's no faith there in terms of a belief that Stormont can somehow deliver something better for us'.

Case study 3: There's been no good news

Constable, 15 years in rank. 5 years since last incremental pay increase

A sense of **disillusionment** and **frustration** was evident in this case study. These feelings were associated not just with this participant's personal circumstance owing to the continued pay stagnation, but also to the feeling that there is lack of value applied to all public sector workers.

Financial impact

This participant was vocal in his frustration regarding the financial impact of continued pay stagnation, noting that the pay settlements awarded over the last five years 'really don't make a difference to my life, they're so minimal'. He reported that 'there has been **no noticeable change to my pay** from year to year' yet, in agreement with the previous participants, referenced the significant increase in the cost of other goods and services. He referenced increases in his mortgage payments, his national insurance payments, pension changes and the cost of food and utility bills and reported that 'all that means is more and more money'.

'I have definitely noticed it in the last two or three years, bills have become a much bigger percentage of my outgoings, compared to the money I have left over for my family'. He reported that family treats 'don't happen as much anymore' and the two areas this was most evident were Christmas and family holidays. He reported having to 'plan and save for Christmas over a greater period of the year than ever before' and that 'in the last three years we've only managed to get away for one holiday'. 'I'm a 40 year old man and I've been in this job for 15 years...you would think I would be able to afford a holiday every now and then, not trying to cut back on things at every turn'. He also detailed the increased cost associated with running two cars, yet noted his inability to make any savings in this area; 'we have to have those cars, **because of my job I can't live just anywhere**, we need the cars to enable me to do this job...that's another expense I just can't get out of'.

Morale

This participant indicated that his personal experience of this, and the feelings voiced by his colleagues, were based on disillusionment and frustration stating that 'essentially **everything has been negative** for the last number of years...and from a financial point of view **there's been no good news**'. Within this, the participant made a strong link between these perceptions and low levels of personal and service wide morale, noting that 'it's hard to keep going when there is just never any good news coming' he reported that 'pay is a big issue, you just feel like you aren't valued for the job you do and that has an impact on morale'.

Specific features of his job, as a police officer, were an important element of this disillusionment; 'You do think to yourself...when you're going into very stressful circumstances or doing a horrific and difficult job **'is the way they decide to pay us really reflecting what I'm doing?'** But he also had views on wider public sector pay reporting that 'I understand public sector finances are under stress, but I think public sector workers are taking an unfair burden of that...are we valued as public sector workers?'

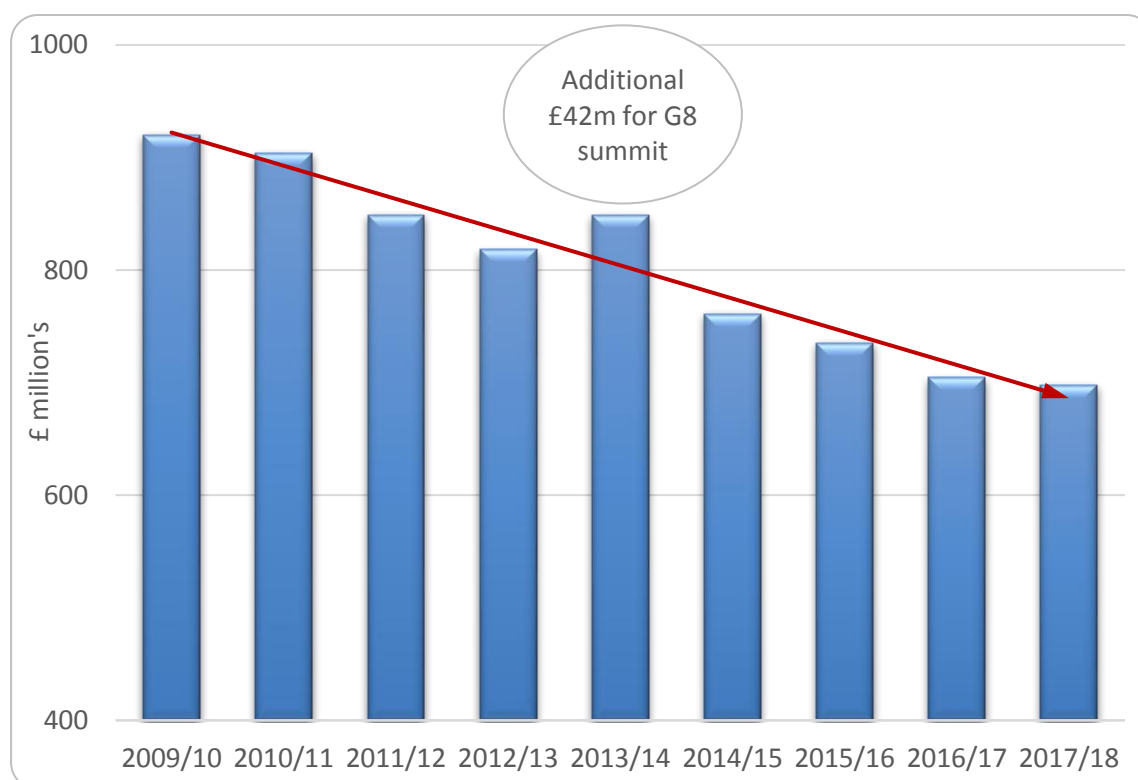
This participant felt that the longer the pay restraint continues the more apparent it becomes that 'it is an easy response to say that we have to save money...that allows them to keep giving us close to nothing each year in terms of pay – **it's easy to do, but it's not so easy to be on the receiving end of it**'. Overall he felt that policing, in particular in Northern Ireland, is used as a 'political football' and that 'any split away from pay in England and Wales...can only be a bad thing for police officers here – simply because we are not viewed the same as officers in England and Wales, it puts us at an automatic disadvantage'.

PSNI Budget

6.41. The Police Federation for Northern Ireland share the concerns of the Police Remuneration Review Body regarding the severe and on-going budgetary pressures facing the PSNI. The PSNI Resource DEL budget (excludes capital spending, the cost of the police pension scheme and AME impairments) has declined by £221.9m between 2009/10 and 2017/18⁴⁰, as shown in Figure 13. This represents a reduction of approximately 24%, with indications of further reductions in the budget for the 2018/19 financial year.

6.42. The PSNI's long standing position has been to protect officer headcount numbers, a position which has seen the proportion of the budget accounted for by police pay increase from 53% in 2011/12 to 61% in 2016/17⁴¹ as the budget declined. However, the continued severity of these cuts has significantly reduced the possibility of the PSNI retaining this protectionist position and as will be discussed in the 'workforce' section of this submission, is now directly contributing to a reduction in the level of resources available.

Figure 13: Total non-ring fenced Resource Departmental Expenditure Limits (RDEL) Budget (£m), 2009/10 - 2017/18



Source: PSNI Annual Reports and Accounts

⁴⁰ PSNI, Annual Reports and Accounts, <https://www.psni.police.uk/inside-psni/our-departments/finance-and-support-services/financial-services-branch/annual-statement-of-accounts/>

⁴¹ PSNI Data - unpublished

6.43. The PSNI's precarious budgetary position is further complicated by their inability to raise additional finance, as is possible in England and Wales, or to carry over any surplus resources between financial years (which amounted to £79.4m between 2010/11 and 2016/17⁴²). As such the PSNI are wholly dependent upon the budget provided by the NI Executive – an Executive which has not been operational for over 13 months, resulting in NI's 2017/18 budget being passed at Westminster in November 2017, 8 months into the financial year. During this time the PSNI were forced to operate with a monthly budget, effectively eliminating the potential for any forward planning. Whilst we appreciate that this was a result of the political difficulties in NI, the reality is that the serious budgetary pressures facing policing in general are the result of political decision-making. Nevertheless, in light of the current financial position of the PSNI, it is imperative that a broad assessment of the PSNI budget is undertaken. It is our position that this review must explore the potential for the Service to carryover surplus resources from one financial year to the next, thus easing pressures, enabling forward planning and protecting police funding in NI.

6.44. Finally, any assessment of the PSNI budget must also give cognisance to the significant impact of the cost of legacy investigations on current policing budgets. According to the Chief Constable of the PSNI, the Legacy and Justice Department spent £10m on legacy costs in 2016/17. It is anticipated that by the end of the 2017/18 financial year the same department will have spent £13.2m on legacy investigations and a further £11.2m will have been spent by departments and overheads which support legacy functions⁴³. The current financial pressures facing policing in NI are therefore greatly exacerbated by these additional costs. When considered within the affordability context which has dominated much evidence relating to police pay in NI in recent years, the impact of these significant costs is evident. It is approximated that the cost of a 1% consolidated rise to police pay in NI is £3.8m.

⁴² PSNI Annual Reports and Accounts, <https://www.psnipolice.uk/inside-psni/our-departments/finance-and-support-services/financial-services-branch/>

⁴³ George Hamilton, 21 December 2017, Letter to the NI Affairs Committee, <http://www.parliament.uk/documents/commons-committees/northern-ireland-affairs/2017-19/Correspondence-2017-19/Correspondence-from-George-Hamilton-QPM-Chief-Constable-of-the-Police-Service-of-Northern-Ireland-legacy-costs-21-December-2017.pdf>

Pay Parity

- 6.45. The Police Federation for Northern Ireland continue to be of the view that parity in pay core spines for police officers in NI and those elsewhere in the UK is of *vital* importance. As part of the last pay review round there emerged a clear, joint consensus from all NI stakeholders (including the Department of Justice, the NI Policing Board, the PSNI, SANI and the PFNI) on the desire and requirement for parity on core pay spines. Given the strength of the arguments put forward through this joint consensus it is hard to see how this position can have changed for the current pay review round. However, we note with interest and concern the lack of any firm direction from the DoJ Permanent Secretary, in the 2018/19 remit letter, on the issue of pay parity. The absence of this important issue from the remit letter signals a possible change of departmental policy since that outlined by the then Minister for Justice, Clare Sugden MLA, in 2016. Should this indeed be the case, this is a significant change of policy which has been taken by a Civil Servant with no consultation with the Police Federation as the representative body for federated officers in the PSNI.
- 6.46. In our previous submission we provided a detailed rationale of the need for continued pay parity across the UK. This rationale stemmed from the importance of ensuring that fairness, transparency and consistency are at the core of any pay system. It was, and remains, our view that any dilution of these features has the very real potential to negatively impact morale and motivation; a position with which the PRRB agreed. We also pointed to the similarities in the core roles of police officers across the UK and the subsequent need to ensure that the same basic pay is provided. Where is the fairness in a system which pays officers fulfilling similar roles different rates of pay?
- 6.47. Any alteration to this system which differentiates the core pay of police officers in NI from their counterparts in the UK would not only be viewed extremely negatively by serving officers, but also sets an unnerving precedent towards further geographic disparity at regional and even sub-regional levels. Where does such differentiation stop? In such an eventuality, pay would become an extremely divisive issue with officers in one service receiving a different salary for the same job as an officer in a different service. This effectively creates a hierarchy of police services and makes serving in one a more lucrative and therefore attractive prospect than others. With the well documented and extreme budgetary pressures facing the PSNI it is a very real possibility that pay in NI would fall behind pay elsewhere in the UK and with the heightened level of personal risk in NI, it is

possible that PSNI officers would actively seek to leave the service in search of a better paid and lower risk role in another service. This has the unintended consequence of creating higher recruitment and organisational costs for the PSNI, further exacerbating the problem.

6.48. Pay parity is also important on a more practical level. As noted by all the NI stakeholders in the 2017/18 review round the need for continued interoperability between police services across the UK is vital. The NI Policing Board reported that uniformity in pay provision was important to support interoperability, whilst the DoJ reported that the desire for consistency enabled the PSNI to look across the UK to fill permanent vacancies, to seek expertise to fill specific skill gaps or to seek a temporary / seconded arrangement. The PSNI noted the importance of collaboration and interoperability including transferees and Mutual Aid, as well as the interchange of skills and experience and the potential for resource sharing in a period of budget restraint. The Federation is in agreement with each of these responses.

6.49. Whilst it is evident that the PSNI must retain its own surge capacity for use during outbreaks of public disorder and whilst the utilisation of mutual aid is typically in response to a pre-planned event or in anticipation of a major incident, it remains important that the Service can continue to draw upon this assistance, without any unnecessary barriers. The results in Table 6 provide evidence of the level of mutual aid assistance which has taken place between the PSNI and police services in England, Wales, Scotland and the Republic of Ireland between 2013 and October 2017.

Table 6: Mutual aid assistance & secondments, 2013-October 2017

	Occasions of Assistance to PSNI	No. of officers provided	Occasions of PSNI assistance	No. of officers provided	Officers seconded out of PSNI	Officers seconded in to PSNI
2013	7	5029	1	2	3	1
2014	3	21	6	211	2	
2015	3	20	3	25	2	
2016	4	24	1	3	1	
2017 (Oct)	2	12	2	9	6	
TOTAL	19	5106	13	250	14	1

Source: PSNI Data⁴⁴

⁴⁴ PSNI Data - unpublished

6.50. The importance of this assistance was most evident in 2013 owing to a prolonged period of public disorder. Discounting 2013 there are on average 3 occasions each year (2014-October 2017) where assistance is provided to the PSNI, this includes an average of 20 officers. On average the PSNI also offer assistance to other police services three times per year, utilising an average of 50 officers (2013-October 2017). 14 PSNI officers have also been seconded to work in other police services in less than five years, with one officer seconded into the PSNI. This is evidence of a continual flow of personnel between police services.

6.51. In their Third Report on Northern Ireland the PRRB state that the issue of pay parity carried significant weight in their conclusions. However, they also note their concerns that the ongoing workforce reforms which are taking place in England and Wales 'could stretch the policy of parity'. Our position on parity relates solely to *core pay spines*. Whilst the PRRB rightly identify some differences in the terms and conditions of officers in NI with those in England and Wales owing to the implementation of the Winsor Review, parity on core pay spines has remained. The Winsor Review applied to England and Wales only – it was not applicable in NI. Whilst some of the outcomes of the review have transferred to NI, others have not. It is our view that simply because a change takes place in England and Wales, does not necessarily mean it has produced a positive outcome for policing or for police officers, indeed evidence would suggest otherwise. It is, of course, prudent for the PSNI to remain cognisant of such changes and to engage with the process given the potential impact on policing here – however, a degree of hindsight can be beneficial. This is particularly true given the seemingly haphazard approach to workforce reform in England and Wales and the mounting difficulties which have been arising. Our position is therefore to continue to provide robust evidence of the need for and benefits of parity on core pay spines.

Recommendation 1: That parity on core pay spines is maintained with forces in England and Wales

Recommendations

- 6.52. Throughout the entirety of this ‘Economic Context’ section we have presented a wide range of robust evidence which we believe must be considered as part of an assessment of any pay award. This evidence included details of the wider UK economy and the NI economy – assessments which are based upon cautious optimism - as well as evidence of perhaps the most significant threat facing these economies in the short-to-medium term: the on-going cost of living crunch. From this evidence we concluded that real wage increases are paramount to the sustainability of GDP growth based upon consumer spending.
- 6.53. We have also provided a significant level of evidence regarding the impact of inflation on pay alongside an in-depth analysis of the public/private pay premium through which it was evidenced that, as of 2016, the premium was in fact 5.5% in favour of the private sector. Our evidence also looked specifically at the changing nature of PSNI salaries since 2010 and identified the continued real terms decline in their value. In order to provide the real life context of the impact of this decline three case studies were presented identifying the financial impact, as well as the impact on motivation and morale. Our evidence also highlighted our concerns regarding the PSNI budget and the need for a wholesale review of it. It is our position that such a review must consider the operational benefits which could be gained from enabling the Service to carry over any underspend from one financial year to the next. Finally, we provided commentary on the importance of continued pay parity on core pay spines.
- 6.54. The recommendations which follow are based upon this robust body of evidence, however they should also be read in conjunction with the remaining sections of this submission. In particular this should include the details relating to recruitment, retention, sickness absence and on-call as outlined within the ‘Workforce’ section as well as the details contained within the ‘Changing Face of Policing’ section.
- 6.55. However, before outlining our recommendations for the 2018/19 pay award, we feel it is important to briefly comment on the ‘application’ of the award and more specifically the issue of targeted pay. We continue to be opposed to any pay targeting in the 2018/19 review round. The prolonged period of pay restraint has severely and negatively impacted upon the finances of *all* police officers and as such it is vitally important that *all* police officers receive an equal and fair pay award – do to otherwise would, we believe, have a

serious and negative effect on morale and motivation within the Service. Furthermore, and with cognisance of the ongoing discussions in England and Wales, we are of the view that any future attempt to develop and implement a targeted pay system, requires a robust evidence base and thorough modelling in advance of implementation. This must also involve a meaningful period of consultation between both the official side and the staff side. We do not believe such an evidence based approach has thus far been undertaken and the lack of any solid proposals, to date, appears to confirm this.

Recommendation 2: That targeted pay awards should be excluded as a feature of the 2018/19 pay review round

Recommendation 3: The longer-term arrangements surrounding the future provision of targeted pay awards should be based upon robust evidence, including comprehensive, transparent and reliable data. A meaningful consultation process must be undertaken and any proposals must be thoroughly modelled in advance of implementation

6.56. The methodology we have adopted in arriving at our 2018/19 pay award recommendation is based upon the value at which inflation is forecast to run at in 2018 as determined by HM Treasury. This methodology is similar to that adopted in our previous submission. We believe that this is a sound methodology which is based upon independent forecasts, provides a critical element of foresight and ensures that police pay does not fall any further behind in real terms, whilst also beginning the process of alleviating some of the significant decline which has already occurred.

6.57. The independent inflation forecasts for 2018-2021 are provided in Table 3 – it is anticipated that inflation will run at 3.4% in 2018 as measured by RPI. However, it is exceptionally difficult to provide one single recommendation when the 2017/18 PRRB recommendation has yet to be implemented. As such we are putting forward four recommendations which are based upon a number of different scenarios but which take their basis from this inflation

forecast value. Please note that any reference to the '2% 2017/18 award' is made based upon a working assumption stemming from the details contained within the Third Report on England and Wales and the recommendation made by the PRRB.

*Recommendation 4: If no award is implemented for the 2017/18 review round we recommend that **all federated officers** in the PSNI are awarded a consolidated uplift of 5.4% in September 2018. This award is to include the 3.4% HM Treasury RPI forecast as well as the 2% consolidated award recommended by the PRRB for 2017/18. This award must be consolidated in its entirety and the 2% 2017/18 award (including the pensionable element) back paid to September 2017.*

*Recommendation 5: If a 1% award is implemented for the 2017/18 review round, we recommend that **all federated officers** in the PSNI are awarded a consolidated uplift of 4.4% in September 2018. This award is to include the 3.4% HM Treasury RPI forecast as well as the additional 1% award recommended by the PRRB for 2017/18. This award must be consolidated in its entirety and the additional 1% 2017/18 award (including the pensionable element) back paid to September 2017.*

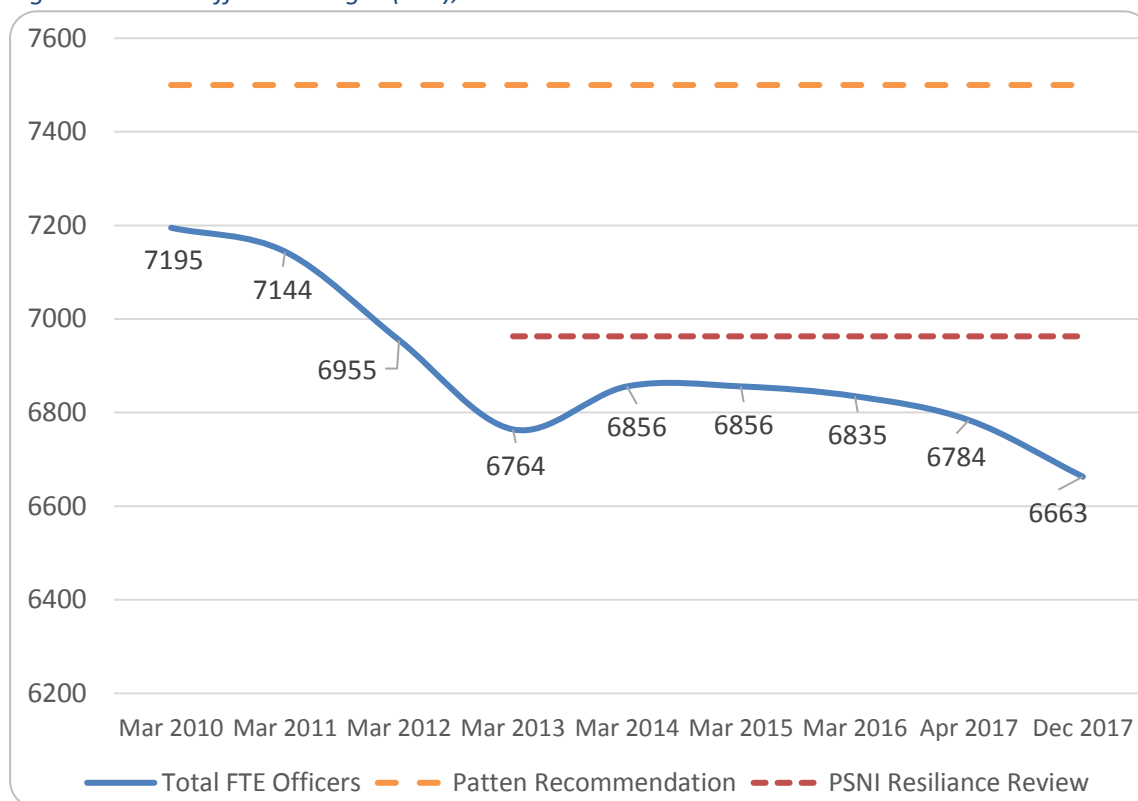
*Recommendation 6: If the implementation of the 2017/18 award is the same as that in England and Wales (i.e. a 1% consolidated and a 1% temporary, non-consolidated bonus), we recommend that **all federated officers** in the PSNI are awarded a consolidated uplift of 4.4% in September 2018. This award is to include the 3.4% HM Treasury RPI forecast as well as the reinstatement of the 'temporary' 1% bonus. This award must be consolidated in its entirety and the additional 1% 2017/18 award (including the pensionable element) back dated to September 2017.*

*Recommendation 7: If a 2% consolidated award is implemented for the 2017/18 review round (and back dated to September 2017), as recommended by the PRRB, we recommend that **all federated officers** are awarded a consolidated uplift of 3.4% in September 2018. This award must be consolidated in its entirety.*

8. WORKFORCE

8.1. The size of the PSNI officer workforce has continued to decline since our last submission. This decline has been on-going since 2014, as shown in Figure 14, however it has accelerated during 2016 and 2017. In 2017 the number of officers serving in the PSNI fell below 6,700 for the first time, with officer strength standing at 6,663 FTE officers as of 31st December 2017⁴⁵. This is over 830 fewer officers than was recommended by the Independent Commission on Policing for Northern Ireland⁴⁶ and 300 fewer than was recommended by the PSNI in their 2013 Resilience Review. The continued reduction in police officer numbers, alongside the continued growth in NI's population, has resulted in a further increase in the police officer: population ratio, up from 1 officer for every 274 members of the population in 2016 to 1:279 in 2017⁴⁷.

Figure 14: PSNI Officer Strength (FTE), 2010-2017



Source: PSNI Data, Monthly Management Information

⁴⁵ PSNI Data. HR Monthly Management Information - unpublished

⁴⁶ Patten, C. 1999, A New Beginning: Policing in Northern Ireland, The Report of the Independent Commission on Policing for Northern Ireland, <http://cain.ulst.ac.uk/issues/police/patten/patten99.pdf>

⁴⁷ NISRA, 7 November 2017, Registrar General Annual Report 2016 Population and Migration, <https://www.nisra.gov.uk/publications/registrar-general-annual-report-2016-population-and-migration>

- 8.2. Despite the PSNI's own Resilience Review recommending an establishment figure of 6,963 it has *never* been achieved – meaning that the PSNI officer strength has persistently been below that endorsed by the PSNI. Indeed, the prolonged period of budget cuts have eroded the practicality of achieving this headline establishment figure. The Chief Constable of the PSNI, in evidence to the Northern Ireland Affairs Committee, recently stated that “if the money is there, we will be recruiting to profile by the end of this financial year of 6,700 officers... [and] the following year that will fall to 6,600”⁴⁸. This statement signifies that in just over 12 months the PSNI will be *aiming for* an establishment figure which is almost 1,000 officers fewer than that deemed necessary by Patten in the absence of a ‘permanently peaceful society’⁴⁹ in Northern Ireland.
- 8.3. It is also worth noting that the percentage of officers who are operating with a temporary or permanent duty adjustment has increased from 4% on temporary adjustment and 5% on a permanent adjustment at the beginning of 2016 to 5% and 7% respectively in December 2017⁵⁰. As such less than 90% of this declining workforce are serving in fully operational posts.
- 8.4. The Police Federation for Northern Ireland remain deeply concerned about this declining workforce and the implications this has for the operational capacity of the police service, the ability to meet public expectations and for the health and wellbeing of the remaining workforce. The increasingly complex demands of the job ultimately fall on fewer officers. In addition to this there is the ever present ‘severe’ threat from violent dissident republicans who have continued to display their deadly intent throughout 2017.

Retention

- 8.5. The total PSNI officer outflow rate, as shown in Figure 15, increased by 205% between 2011/12 and 2015/16, followed by a 6% decline in 2016/17 (from 336 in 2015/16 to 317 in 2016/17). In the first nine months of the 2017/18 financial year, 283 officers left the PSNI – comparing the monthly average outflow between April and December 2017 (31 officers per month) with the monthly average each year since 2011/12 indicates that the total officer outflow rate for the current financial year will exceed the high of 336 officers in 2015/16. If

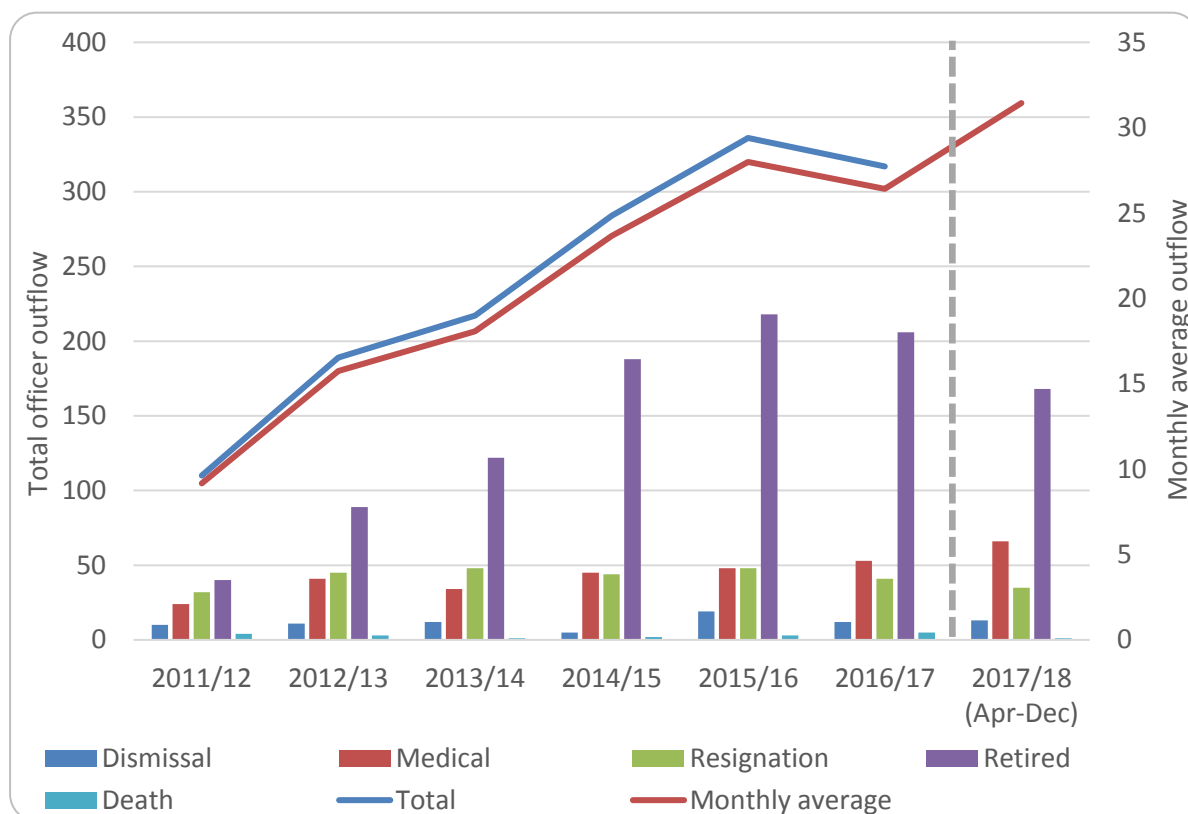
⁴⁸ Northern Ireland Affairs Committee, 25 October 2017, PSNI Chief Constable

⁴⁹ Patten, C. 1999, A New Beginning: Policing in Northern Ireland, The Report of the Independent Commission on Policing for Northern Ireland, p77, <http://cain.ulst.ac.uk/issues/police/patten/patten99.pdf>

⁵⁰ PSNI Data, HR Monthly Management Information, 31st January 2016 and 31st December 2017 - unpublished

this average monthly outflow rate continues for the remaining three months, the yearly outflow rate for 2017/18 will be approximately 377. With current plans to recruit ‘up to 300’ student officers over the next 12 months the continued decline in officer numbers becomes evident⁵¹.

Figure 15: PSNI Officer Outflow by cause with monthly average, 2011/12 - December 2017/18



Source: PSNI Data, Authors Calculations

- 8.6. The number of medical retirements from the PSNI has increased from 24 in 2011/12 to 66 in the first nine months of the current financial year. Based on the average number of monthly medical retirements between April and December 2017, it is possible that the number of medical retirements will exceed 85 in this financial year. Officers who are medically retired from the PSNI are typically aged between 32 and 59 years and over 90% of them have served less than 30 years.
- 8.7. As is clear from Figure 15, the largest cause of officers leaving the PSNI is through retirement. The number of retirements from the PSNI has grown exponentially since 2011/12 (with the exception of a small decline in 2016/17) and this exponential growth is

⁵¹ PSNI Data - unpublished

set to continue in 2018 and into 2019/20. Indeed, as noted in our last submission our current retention concerns are focussed largely on the impending loss of experienced officers who are at the later stages of their career and are therefore eligible to retire.

- 8.8. The next 12-24 months *will* witness a significant increase in the number of officers retiring from the PSNI as the ex RUC Full-Time Reserves become eligible to maximise their pension from April 2018. Table 7 provides details on the number of officers who are eligible to retire immediately (as of October 2017) and those who will become eligible to retire in 2018, 2019 and 2020.

Table 7: Number of PSNI officers eligible to retire (as of October 2017), 2017-2020

	Members of 1988 Pension Scheme	Officers able to retire immediately	TOTAL
<i>2018</i>	468		
<i>2019</i>	185		
<i>2020</i>	146		
TOTAL	799	265	1064

Source: PSNI Data

- 8.9. By the end of 2018 the PSNI could lose up to 733 of its longest serving and most experienced officers, with 468 officers becoming eligible to retire during the course of the year and a further 265 able to retire at any point. This accounts for 11% of the current workforce. A further 331 officers who are members of the 1988 pension scheme will become eligible to retire before the end of 2020, identifying that in just three years the PSNI may witness the retirement of 1,064 officers or 16% of its total workforce⁵². Plans to recruit ‘up to 300’ student officers during 2017 therefore fall significantly short of what is required to simply keep officer strength at its current level.

- 8.10. It is our position that the probability of a significant proportion of these officers choosing to leave the PSNI upon completion of their 30 years’ service is strongly associated with the increasing demands placed on them, the stagnation of their salary in recent years, low levels of personal and service wide morale and perhaps most significantly, the impact upon the value of their pension. This is strongly tied to the on-going review of CRTP and the significant

⁵² PSNI Data - unpublished

impact of the removal of CRTP, either phased or absolute, on the value of lump sum payments available to officers close to retirement age.

8.11. Thankfully the number of deaths of serving PSNI officers has remained low between 2011/12 and December 2017. The number of voluntary resignations from the service had been increasing until 2015/16 (up from 32 in 2011/12 to 48 in 2015/16) and so the decline to 41 in 2016/17 was welcome. However, in the first nine months of 2017/18 there have been 35 voluntary resignations, an indication that the annual rate looks set to increase by the end of the current financial year.

8.12. The PSNI conduct exit interviews with a proportion of officers who voluntarily resign from the service each year; however less than one third of all voluntary resignations are followed up by such an interview (in 2016/17 only 15% of exit interviews were conducted). As a result, in the majority of cases no official reason for officers voluntarily resigning from the service is recorded. From the 68 interviews conducted since 2011/12, fifteen different coded responses were given by officers. These coded responses are provided below and have been further categorised into three broad groups:

<p><u>Reasons associated with the job</u> – accounted for 59% of reasons cited</p> <ul style="list-style-type: none"> • Seeking new employment • Lack of promotion opportunities • Lack of development opportunities • Workplace bullying / harassment • Travel difficulties • Poor job satisfaction • Unsuitable working hours • Dissatisfaction with salary • Unsuitable to career choice • Lack of additional benefits 	<p><u>Personal reasons</u> – accounted for 24% of reasons cited</p> <ul style="list-style-type: none"> • Emotional wellbeing / stress • Physical health <p><u>External factors</u> – accounted for 18% of reasons cited</p> <ul style="list-style-type: none"> • Caring responsibilities • Domestic reasons • Return to education
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8.13. From these 68 completed exit interviews, 59% of voluntary resignations were directly related to issues associated with the job, 24% were personal reasons and 18% were external factors⁵³. With no further details provided we are unable to provide an understanding if the personal reasons, including wellbeing and physical health are also directly related to the role as a serving police officer in NI.

⁵³ PSNI Data - unpublished

Recruitment

- 8.14. Since the withdrawal of the 50/50 recruitment legislation in 2010, there have been four PSNI recruitment campaigns, the most recent of which took place towards the end of 2017. The number of applications received within this campaign compared favourably with the numbers received for the previous three campaigns, as shown in Table 8.

Table 8: Recruitment campaigns - number of applicants, 2013-2017

CAMPAIGN	NUMBER OF APPLICANTS	OFFICERS RECRUITED
2013	7493	26
2014	5856	274
2015	5498	319
2016	-	250
2017	7696	309

Source: PSNI Data

Note: Number of officers recruited in 2017 is correct as of October

- 8.15. Whilst the number of applicants applying to serve in the PSNI is certainly encouraging, the number of officers subsequently recruited is less so. Although there is some variation in the actual number of officers recruited each year as part of the post 50/50 recruitment campaigns, the yearly average between 2014 and October 2017 was 288⁵⁴. This is below replacement level and when considered as part of the officer outflow information provided previously, particularly alongside the anticipated increase in the number of retirements, this provides further evidence of a continued reduction in officer numbers. Evidence provided by Deloitte in 2016 identified the importance of pay to potential recruits, in particular those from working class groups, females and for Catholics⁵⁵ (the impact of the PSNI's action plan in response to these findings are, as yet, unavailable) – a factor which is concerning when considered alongside today's starting salary which is less than that received by a Constable in 1992 – 26 years ago. In addition, as outlined previously budgetary pressures are now an active barrier to recruitment and as such cast doubt over the PSNI's ability to recruit to replacement level.

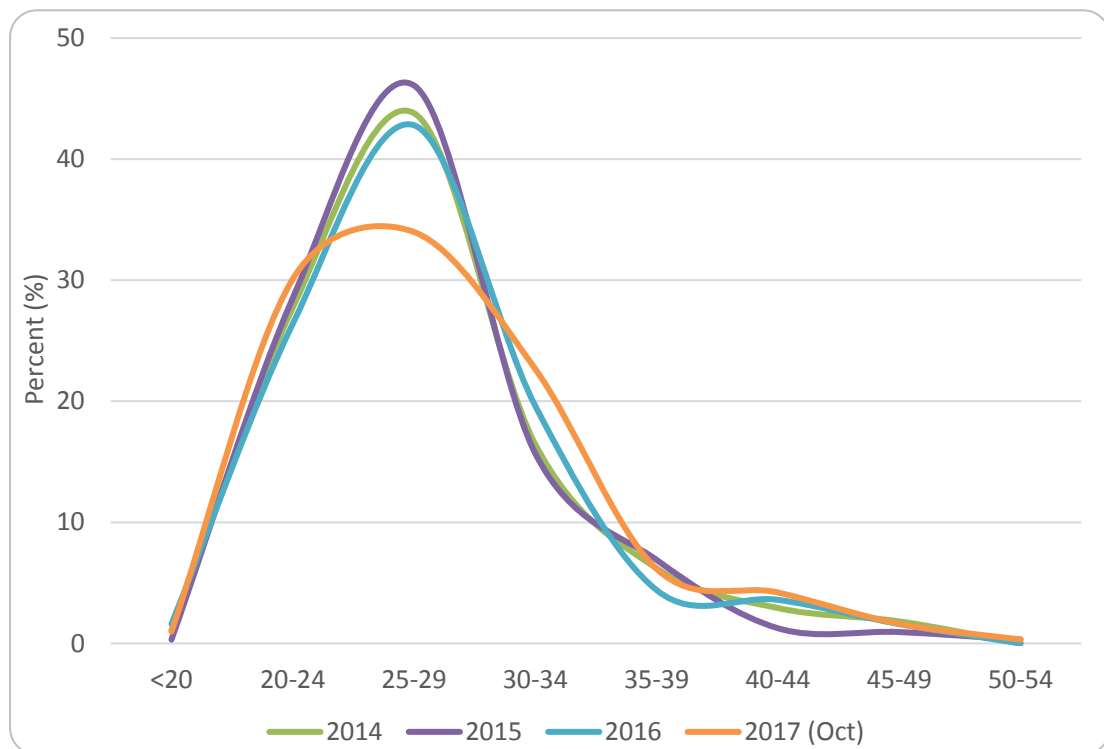
⁵⁴ PSNI Data - unpublished

⁵⁵ Deloitte, 2016, Understanding barriers affecting police officer recruitment, <https://www.psni.police.uk/globalassets/inside-the-psni/our-departments/human-resources/documents/research-project---final-report-v1-0-15-dec-2016.pdf>

8.16. Between 2014 and 2015 there was a significant increase in the number of student officers leaving their post prior to their attestation to probationer, up from 6 officers in 2014 to 19 in 2015. The number of student officers leaving has remained high since 2015, with 17 in 2016 and 13 in 2017. In total 55 student officers have left their post in just four years, the equivalent of an entire squad⁵⁶.

8.17. The age profile of officers recruited into the PSNI, as shown in Figure 16, has been largely dominated by officers aged between 25 and 29, with over 40% of all recruits in 2014, 2015 and 2016 in this age category. However, in 2017 this age profile has broadened somewhat to include a more even representation of officers aged between 20 and 34⁵⁷. Whilst this increased representation is welcomed, the increased intake of officers across these age categories ultimately indicates a greater spread of officers at different life stages. As such, a greater degree of workplace flexibility may be *expected* from younger ‘millennial’ officers and *required* by officers who are at later life stages and may therefore have caring responsibilities. Responding to this workplace flexibility ultimately necessitates greater workforce resilience.

Figure 16: Age profile of recruits on joining PSNI, 2014- October 2017



Source: PSNI Data

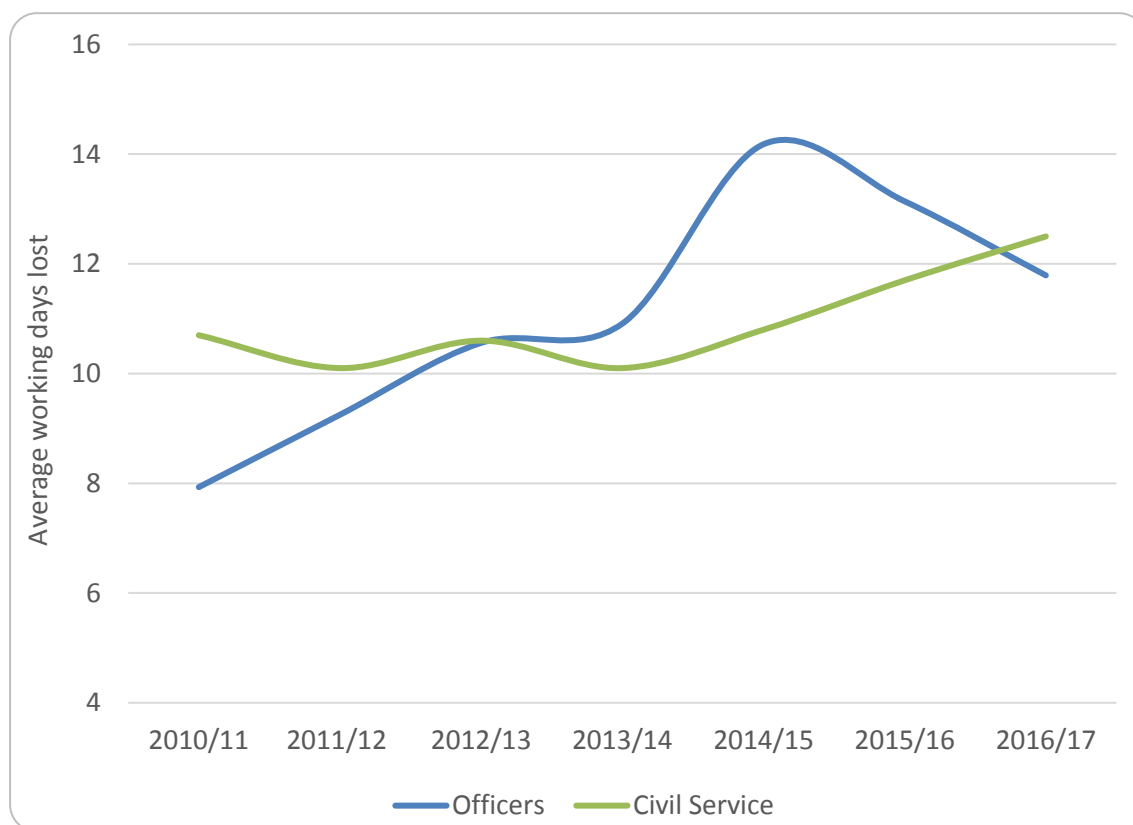
⁵⁶ PSNI Data - unpublished

⁵⁷ PSNI Data - unpublished

Sickness absence

8.18. In last year's submission we provided evidence of the average number of working days lost in the PSNI relative to the NI Civil Service. This comparison identified the longer term trends in sickness absence which were typically greater in the NI Civil Service than in the PSNI, until 2012/13 when sickness absence in the PSNI exceeded rates in the Civil Service. Sickness absence in the PSNI increased from an average of 7.93 working days lost in 2010/11 to 14.18 days in 2014/15. However in 2015/16 this declined to 13.14 days and to 11.79 days in 2016/17, as shown in Figure 17. This decline has resulted in average sickness absence in the PSNI falling below average rates in the Civil Service⁵⁸.

Figure 17: Average working days lost - PSNI & NI Civil Service, 2010/11 to 2016/17



Source: NISRA; PSNI

8.19. However, the average number of working days lost in the PSNI between April and December 2017/18 was 9.85⁵⁹, indicating that the level of sickness absence in the PSNI for the full financial year 2017/18 will return to 2015/16 levels and mark a renewed increase in sickness

⁵⁸ NISRA, Sickness Absence in the NI Civil Service, <https://www.finance-ni.gov.uk/topics/statistics-and-research/sickness-absence-northern-ireland-civil-service>

⁵⁹ PSNI Data, 31st December 2017, HR Monthly Management Information - unpublished

absence. Again these figures mask the daily impact of this sickness absence; between April and December 2017 there was an average of 393 officers absent *each day* from the PSNI – the annual cost of this daily sickness absence is approximately £21m. Furthermore, the increase in longer periods of sickness absence has continued with absences lasting longer than 29 days increasing by 4.9pps between April and October 2017/18 relative to 2016/17⁶⁰.

- 8.20. Mental ill-health and absence due to psychological illness continues to be a significant concern to the Federation. The proportion of days lost due to psychological ill-health has continued to increase within the PSNI, accounting for 26.7% of all calendar days lost in 2015, rising to 30.1% in 2016 and to 30.4% in 2017⁶¹. As we reported last year, all evidence therefore points to a staffing model which is under significant and growing pressure through severe under-resourcing and increasingly complex demand. It is our belief that the combination of these pressures is adversely impacting the physical and mental wellbeing of officers serving in the PSNI. The impact of these stresses is cyclical in nature with poor health and wellbeing outcomes manifesting into heightened sickness absence, which in turn adversely impacts the officers remaining, who face increasing workplace burdens as policing demand continues whilst sickness absence grows.

⁶⁰ PSNI Data - unpublished

⁶¹ PSNI Data - unpublished

On-call

8.21. In our previous submission we provided evidence of the need for an increase to the on-call allowance. The PRRB expressed sympathy with our position and subsequently requested that the parties should review the on-call allowance as a priority. However, the prolonged period of political instability in NI and associated financial uncertainties have effectively stagnated any potential for forward planning (including within the PSNI where monthly budgets were a regular feature of the financial landscape throughout 2017). As such there has not been the opportunity for a cross-stakeholder review of the on-call allowance. We have therefore presented an update on our position below.

8.22. The Federation continue to be of the view that the current rate of the on-call allowance (£15 for each evening or weekend day and £23 for any time on-call on a public holiday) is too low to adequately compensate officers for the level of disruption experienced, nor does it act as a suitable disincentive to prevent an over-reliance upon the practice by the Service. The evidence provided below, in conjunction with the evidence we submitted in our previous report, identifies the widespread use of the practice and the detrimental impact this can have on the personal life of police officers.

8.23. As shown in Table 9 the number of officers receiving the on-call allowance has averaged at 1,286 each year between 2012/13 and 2015/16. However, in 2016/17 this increased to 1,678 officers – an increase of 30% and evidence of a practice which impacts upon an increasing number of officers.

Table 9: The total number of officers claiming on-call allowance, 2012/13 - 2016/17

YEAR	NUMBER OF OFFICERS
2012/13	1,243
2013/14	1,284
2014/15	1,342
2015/16	1,278
2016/17	1,678

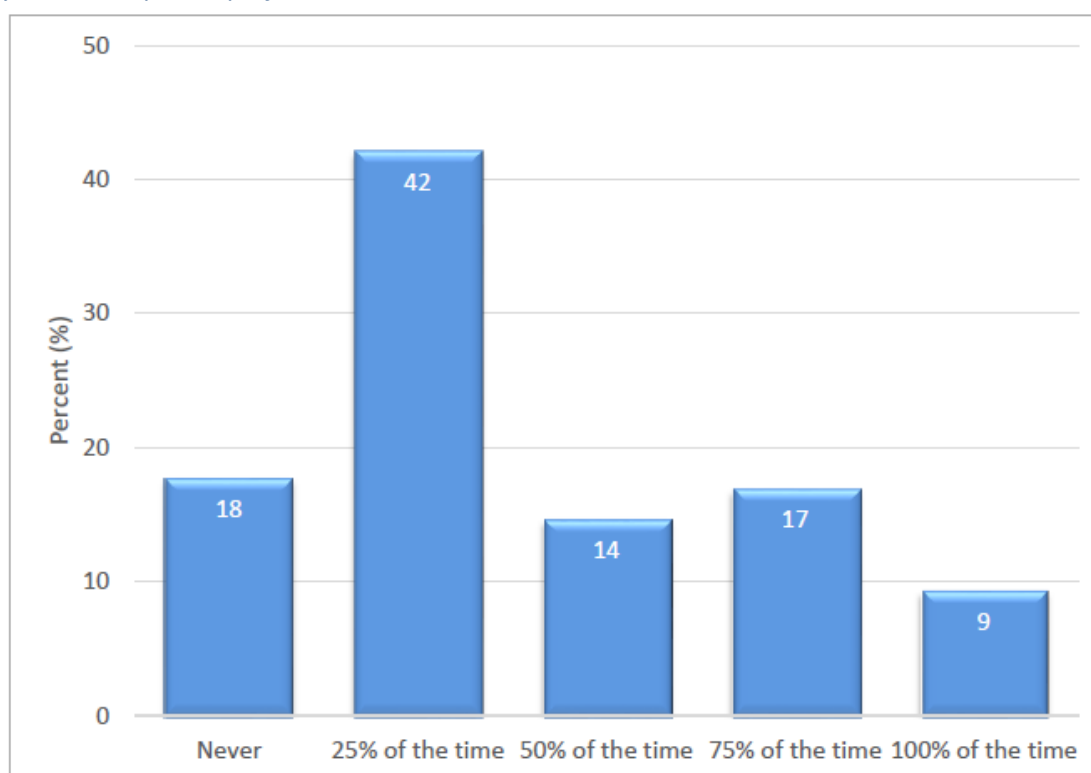
Source: PSNI Data⁶²

8.24. Although the PFNI did not conduct a workforce survey in 2017, officers in the Inspecting Ranks were asked about on-call as part of the Inspecting Ranks Survey⁶³ (more details of this

⁶² PSNI Data - unpublished

are provided in the following section). 67% of respondents to this survey reported working on-call, however the results identify that the frequency with which officers in the Inspecting Ranks work on-call varies considerably. 10% of respondents reported that they are permanently on-call, 12% report being on-call three or more times per week, 15% twice per week and 26% once per week. The remaining 38% said that they work on-call less than once per week. Respondents were also asked to approximate how frequently they are called upon to perform duties when on-call during the previous 12 months.

Figure 18: Whilst on-call during the last 12 months, approximately how often, if at all, were you called upon to perform duties?



Source: PFNI, 2017 Inspecting Ranks Survey

8.25. Almost one fifth of respondents said that they are never called upon to perform duties, whilst just over one quarter reported being called at least 75% of the time. The most frequently cited response was 25% of the time which was selected by 42% of respondents. This again provides evidence of the reality of being on-call, including the need for officers to remain in a permanent state of readiness for the duration of their duty, thus impacting upon their personal/family time and their ability to properly detach from their work. 47% of respondents expressed that their level of concern regarding their exposure to risk increased

⁶³ PFNI, 2017, The Inspecting Ranks – Evidence Gathering, Unpublished

when they were on-call, relative to their concern when on rostered duties. This included 28% who stated that it increased significantly, 45% who said that it remained the same and less than 10% who reported a decline.

- 8.26. Issues associated with on-call were referenced by a large number of respondents in the final open-ended question of the Inspecting Ranks survey. A common theme running through these responses related to the actual level of on-call duties performed by officers versus the official number of on-call duties officers were detailed and the subsequent remuneration they receive. Respondents were also vocal about the disruptive impact of being on-call and the value of the payment:

"I am on-call permanently but am expected to only claim for 2 weeks a month due to budget pressures"

"I am expected to perform on call duties 24/7 365 days a year however we have been told we can only claim 2 weeks per month. This impacts on home and personal life...again adding stress"

"I mentioned that I be on call less than once per week. What the survey does not cover is that I receive many phone calls outside office hours and rest days / annual leave ...I find myself always being on duty"

"...you are always on call to elected reps and key contacts can mean spoilt evenings and weekends and a loss of family time as which lead to stress all with no extra reward"

"The on-call allowance is not reflective of the impact on your life even with its recent increase to £15, which after deductions is less than £10 in your hand. This for putting you and your family's life on hold for a 24 hour period is completely insufficient"

Recommendation 6: An increase to on-call allowance from £15 to £23 for each evening or weekend day period and to £30 for any time on-call during a day considered a public holiday within the terms of the PSNI Regulations 2005

9. THE CHANGING FACE OF POLICING

- 9.1. Between 2002/03 and 2012/13 the total number of recorded crimes (including fraud) in NI was on a downwards trajectory, declining from a high of 142,496 crimes in 2002/03 to 100,389 in 2012/13. However, as we reported in our last submission, the number of recorded crimes increased in each year 2013/14, 2014/15 and 2015/16 to a high of 107,253 – the highest level of crime recorded in NI since 2009/10⁶⁴. The 5.6% decline in recorded crime in 2016/17 was therefore a welcome relief for an already overstretched service⁶⁵. However, as of the 31st December 2017 there have been a total of 78,542 recorded crimes (including fraud) in the 2017/18 financial year⁶⁶ – should this high level of crime continue over the remaining three months of the year, the total number of recorded crimes for the 2017/18 financial year will return to 2014/15 levels, with the potential for an increase of over 3% on 2016/17 recorded crime levels. This demand is in addition to the 48% of comparable crimes (between the NI Crime Survey and PSNI Recorded Crime Statistics) which were *not* reported to the police in 2015/16⁶⁷.
- 9.2. The long term changes to the crime profile of NI continued in the 12 months to December 2017 with rises in more complex crimes including, fraud, sexual offences and domestic incidents alongside the decline in more traditional crimes including theft and criminal damage. However, in an alteration to more recent trends, the 12 months to December 2017 also saw a decline in the number of violence against the person crimes⁶⁸. Nevertheless, these traditional crimes continue to have an impact, both on victims and on the demands placed on policing, however these impacts are now managed as part of an increasingly complex crime profile. Some of this complexity is associated with an upsurge in incidents associated with vulnerability, with 36% of all daily public demand in NI in 2016/17 involving elements of vulnerability⁶⁸. These types of incidents are increasingly high impact and are ultimately more resource intensive to investigate. Such changes are further contextualised

⁶⁴ PSNI, 01.12.2016, Trends in Police Recorded Crime in NI 1998/99 to 2015/16, https://www.psni.police.uk/globalassets/inside-the-psni/our-statistics/police-recorded-crime-statistics/documents/police_recorded_crime_in_northern_ireland_1998-99_to_2015-16.pdf

⁶⁵ PSNI, 17.05.2017, Police Recorded Crime in NI: Monthly update to 31 March 2017, https://www.psni.police.uk/globalassets/inside-the-psni/our-statistics/police-recorded-crime-statistics/2017/march/monthly-crime-bulletin-apr-mar-16_17.pdf

⁶⁶ PSNI, 19.12.2017, Monthly crime summary tables, period ending December 2017, <https://www.psni.police.uk/inside-psni/Statistics/police-recorded-crime-statistics/>

⁶⁷ DoJ, 2017, Experience of Crime: Findings from the 2015/16 NI Crime Survey, <https://www.justice-ni.gov.uk/sites/default/files/publications/justice/experience-of-crime-findings-2015-16-ni-crime-survey-feb-17.pdf>

⁶⁸ PSNI, 2016/17, Demand Wheel - unpublished

by the declining workforce size and cuts to other essential public services – when considered together this myriad of issues has implications for police officer responsibility levels and the level of risk subsequently experienced.

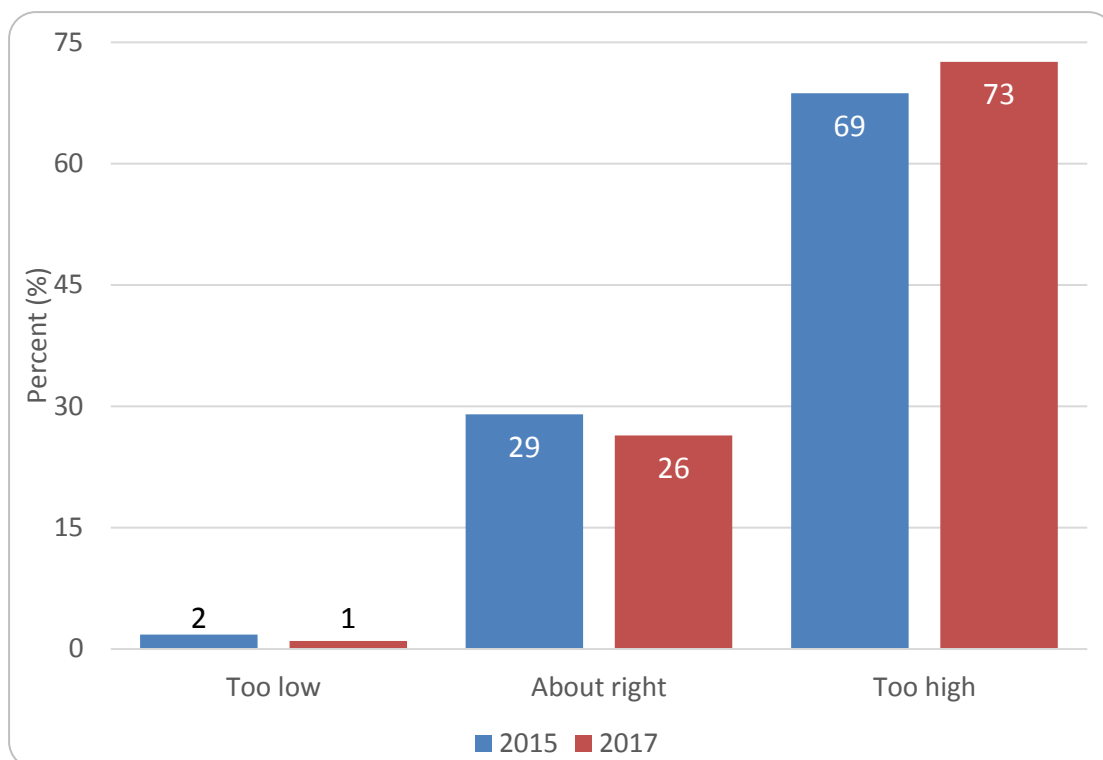
9.3. Although the Police Federation did not undertake a workforce survey in 2017, concerns regarding the workload impact of this increasingly complex crime profile on middle-management resulted in the dissemination of a smaller scale survey targeted at the Inspecting Ranks⁶⁹. This online survey was open for two weeks from the 31st October and achieved a response rate of 55% of officers in the Inspecting Ranks. Respondents were broadly representative of the PSNI Inspecting Ranks.

9.4. The purpose of this survey was to gather evidence from serving Inspectors and Chief Inspectors about their current workload capacity, their level of responsibility, concerns regarding exposure to risk and their views on workload pressures. In order to assess this information respondents were asked to approximate the number of hours they work in a typical working day. 16% of respondents reported working 8 hours per day and 23% said 9 hours. The remaining 61% reported working at least 10 hours per day on a typical working day, this included 6% who reported working 12 hours or more. It is worth noting that officers in the Inspecting Ranks do not receive an overtime allowance. Respondents were also asked to rate their workload over the previous 12 months, a question which was benchmarked against the results from the PFNI's 2015 Workforce Survey⁷⁰. These results are shown below.

⁶⁹ PFNI, 2017, The Inspecting Ranks – Evidence Gathering, Unpublished

⁷⁰ PFNI, 2015, Workforce Survey, unpublished

Figure 19: How would you rate your workload over the last 12 months? 2015 & 2017



Source: PFNI 2015 Workforce Survey⁷¹, PFNI 2017 Inspecting Ranks Survey⁷²

- 9.5. Almost 3 out of 4 respondents reported that their workload over the previous 12 months was too high or much too high. 26% reported their workload was about right and 1% said their workload was too low. Comparing these results with those provided by the Inspecting Ranks in 2015 indicates that workload has increased over time. In 2015 2% of respondents noted that their workload was too low, 29% said it was about right whilst 69% reported that it was too high.
- 9.6. Respondents were asked to identify how their workload and level of responsibility had changed over the previous 12 months. 82% of respondents reported that their workload had increased over the previous 12 months. 82% of respondents reported that their workload had increased, including 41% who noted that it had increased significantly. 2% of respondents reported that their level of responsibility had decreased in the preceding 12 months, 16% stated it had remained the same and 82% reported that it had increased. This includes 45% of all respondents who said that their level of responsibility had increased significantly in just 12 months.

⁷¹ PFNI, 2015, Workforce Survey - unpublished

⁷² PFNI, 2017, The Inspecting Ranks – Evidence Gathering, Unpublished

Table 10: In the last 12 months, how has your workload and level of responsibility changed?

	WORKLOAD	RESPONSIBILITY
DECREASED SIGNIFICANTLY	0%	0%
DECREASED SLIGHTLY	3%	2%
REMAINED THE SAME	15%	16%
INCREASED SLIGHTLY	41%	36%
INCREASED SIGNIFICANTLY	41%	45%

Source: PFNI 2017 Inspecting Ranks Survey

Note: May not add to 100 due to rounding

- 9.7. The Inspecting Ranks were asked to rate their level of concern regarding the exposure to risk they encounter in their current rank. 5% of respondents reported that they are not at all concerned about their level of exposure to risk, identifying that 95% of respondents have some level of concern. 84% reported being fairly, very or extremely concerned, including almost one quarter who stated that they are *extremely* concerned about their level of exposure to risk.
- 9.8. Respondents were presented with a number of items relating to job demand and workload pressures and were asked to identify how frequently each applies to them and their work. 47% of respondents said that they often or always neglect some tasks because they have too much to do, whilst just 14% said that they never or seldom do. 31% reported always or often having unrealistic time pressures, with 23% stating they never or seldom do. 49% of respondents reported often or always taking work home that cannot be completed in normal working time, with 24% selecting never or seldom. 34% reported often or always taking work home during annual leave to catch up.
- 9.9. The assessment of workload pressures also included question items relating to staffing levels and working pace, the results of which are shown in Table 11. 88% of Inspectors and Chief Inspectors disagreed or strongly disagreed that they have enough officers to manage all the demand placed on them, 6% agreed. 72% disagreed or strongly disagreed that there were enough officers in their team/unit to enable them to do their job properly. One in ten respondents agreed or strongly agreed that they were able to meet all the conflicting demands on their time at work, 75% disagreed with this statement.

Table 11: Please rate the extent to which you agree or disagree with the following statements

	Strongly disagree/disagree	Neither agree nor disagree	Strong agree / agree
We have enough officers to manage all the demand made on us	88%	6%	6%
There are enough officers in my team / unit for me to do my job properly	72%	16%	13%
I am able to meet all the conflicting demands on my time at work	75%	15%	10%
We often work in crisis mode, trying to do too much, too quickly	11%	15%	74%
When pressure builds, we are expected to work faster, even if this means taking shortcuts	17%	24%	59%
I have enough time to do my job to a standard that I can be proud of	62%	27%	11%

Source: PFNI 2017 Inspecting Ranks Survey

Note: May not add to 100 due to rounding

9.10. Almost three quarters of all respondents agreed or strongly agreed that they often work in ‘crisis mode’ and try to do too much too quickly. 59% also agreed with the statement ‘whenever pressure builds up, we are expected to work faster, even if it means taking shortcuts’, 17% disagreed with this. 11% of Inspectors and Chief Inspectors agree that they have enough time to do their job to a standard they can be proud of, whilst 62% disagree.

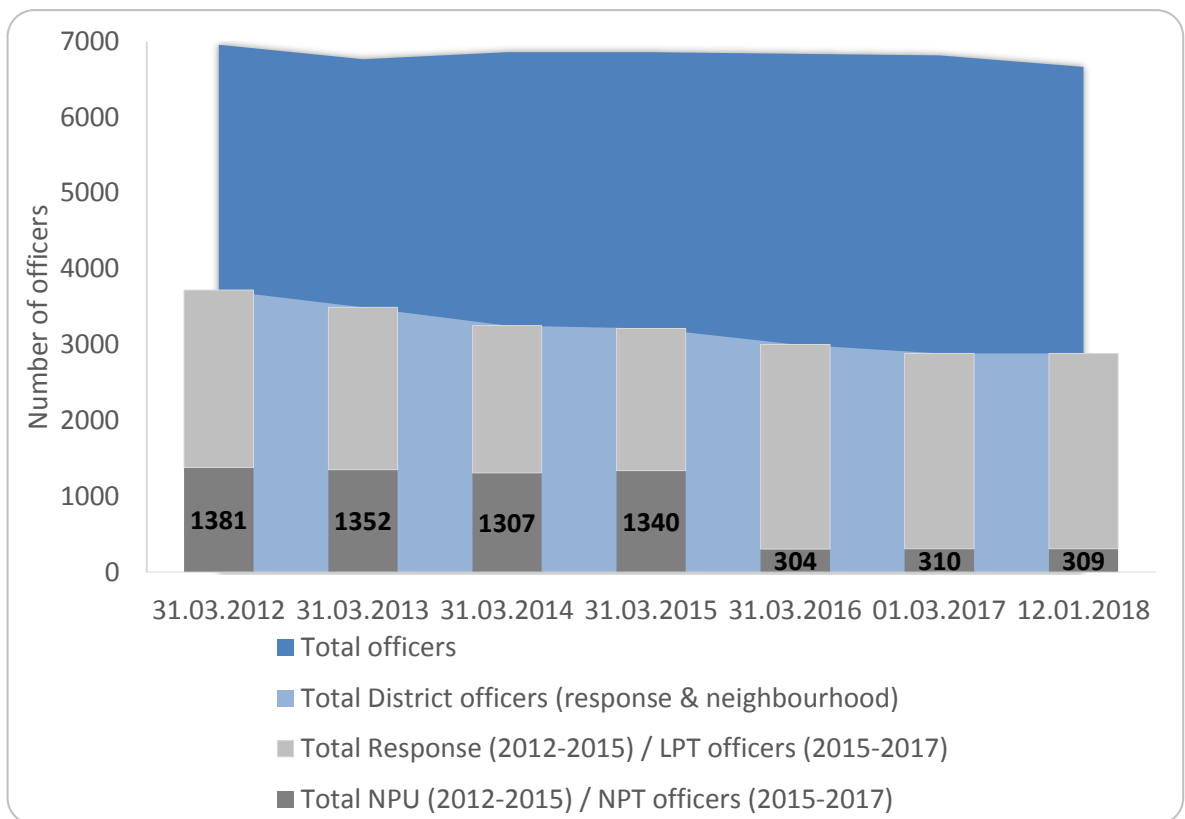
Neighbourhood Policing

9.11. Increasing workloads and increasing crime complexities, combined with reducing budgets and a declining workforce, have resulted in further declines to crime outcomes, down from 29.4% in 2012/13 to 28.3% in 2016/17⁷³. However, these factors have also resulted in a more fundamental shift in policing in NI, a shift which occurred in 2015 as part of a major service wide restructuring; namely the change from a proactive policing model based upon the development of community relations and neighbourhood policing to a more reactive model. This alteration is evident in the change to the size and shape of district policing in NI, as shown in Figure 20.

⁷³ PSNI, 17.05.2017, Police Recorded Crime in NI: Monthly update to 31 March 2017, https://www.psni.police.uk/globalassets/inside-the-psni/our-statistics/police-recorded-crime-statistics/2017/march/monthly-crime-bulletin-apr-mar-16_17.pdf

9.12. This workforce data identifies a significant reduction in the number of officers (both response and neighbourhood) working on the ground in neighbourhoods across NI's districts from 3,720 as of the 31st March 2012 to 2,884 on the 12th January 2018. As a proportion of the total PSNI officer workforce, the number of district based officers has declined from 53% in 2012 to 43% in 2018. Within this the total number of designated neighbourhood policing officers has declined by 78% from 1,381 in 2012 to just 309 in 2018. As such the proportion of the PSNI officer workforce engaged in dedicated neighbourhood policing duties in 2018 is just 5%.

Figure 20: Neighbourhood policing, NI 2012-2018



Source: PSNI Data⁷⁴

9.13. Whilst this reduction in dedicated neighbourhood officers has taken place alongside an increase in response/local policing team officers (from 2,339 to 2,575), these teams are designed to be 'multi-functional' and are not solely tasked with the important undertaking of forging long-term community relations and developing local knowledge. Rather, in addition to developing community relations, these officers are also charged with undertaking response duties, which form a significant proportion of their everyday work. Much feedback from our recent surveys has alluded to the realities of this 'multi-functional'

⁷⁴ PSNI Data - unpublished

role including one Inspector who commented in November 2017 that '[t]he concept that LPT [Local Policing Teams] somehow do more than respond has become a standing joke' (Inspectors Survey, 2017).

9.14. Just as in 2016 HMIC raised concerns regarding the erosion of neighbourhood policing in England and Wales⁷⁵ this submission provides evidence of a similar erosion in NI. In this report HMIC highlight the importance of neighbourhood policing to problem solving and crime prevention through trust building, reducing fear of crime and in developing greater community confidence in the police service and in reporting crime. The importance of these features of policing are all the more evident in NI where community trust and confidence (central elements of the Patten reforms) are vital given the continued presence of active paramilitary groups within local communities. The reduction of neighbourhood policing and the subsequent reduced role of neighbourhood officers not only risks un-doing much of the positive engagement work which has taken place since 2001, but also risks reducing the opportunities for important intelligence gathering which can ultimately reduce latent demand.

⁷⁵ HMIC, 2017, PEEL: Police Effectiveness 2016, <https://www.justiceinspectorates.gov.uk/hmicfrs/wp-content/uploads/peel-police-effectiveness-2016.pdf>

10. SECURITY SITUATION

10.1. The current threat level for Northern Ireland-related terrorism remains 'SEVERE', meaning an attack is highly likely. This threat remains directly attributed to Violent Dissident Republicans (VDR's) who have continued to disrupt lives and communities across NI throughout 2017. Both serving and retired police officers in NI remain key targets of these violent terrorist groups and as such, officers and their families live their daily lives under threat. It is important to note that this is not a perceived threat, but rather a very real threat which materialises all too frequently for police officers in NI. Indeed, in the first four months of 2017 alone, VDR's were responsible for five high profile attempts on the lives of officers working in NI:

- 15th January 2017: Viable explosive device left in west Belfast was 'designed to kill or seriously injure police officers'⁷⁶
- 23rd January 2017: PSNI Officer shot and injured in north Belfast⁷⁷
- 22nd February 2017: Bomb planted under a PSNI officer's car in Derry⁷⁸
- 22nd March 2017: Strabane explosion was 'attempt to kill PSNI officers'⁷⁹
- 23rd April 2017: Bomb left outside Ardoyne school was designed to kill officers, say police⁸⁰

10.2. The details provided in Figure 21 provide an indication of how NI's security situation manifests itself and how it has changed over the last three years. Since 2015 there have been 10 recorded fatalities directly attributed to the security situation in NI, this includes two deaths in 2017. The number of shooting incidents has increased every year since 2015, including an 18.4% increase between 2016 and 2017, whilst the number of bombing incidents declined in 2016, prior to an 11% increase in 2017.

⁷⁶ BBC News, 15.01.2017, Poleglass alert: Police say explosive device was 'designed to kill' - <http://www.bbc.co.uk/news/uk-northern-ireland-38629910>

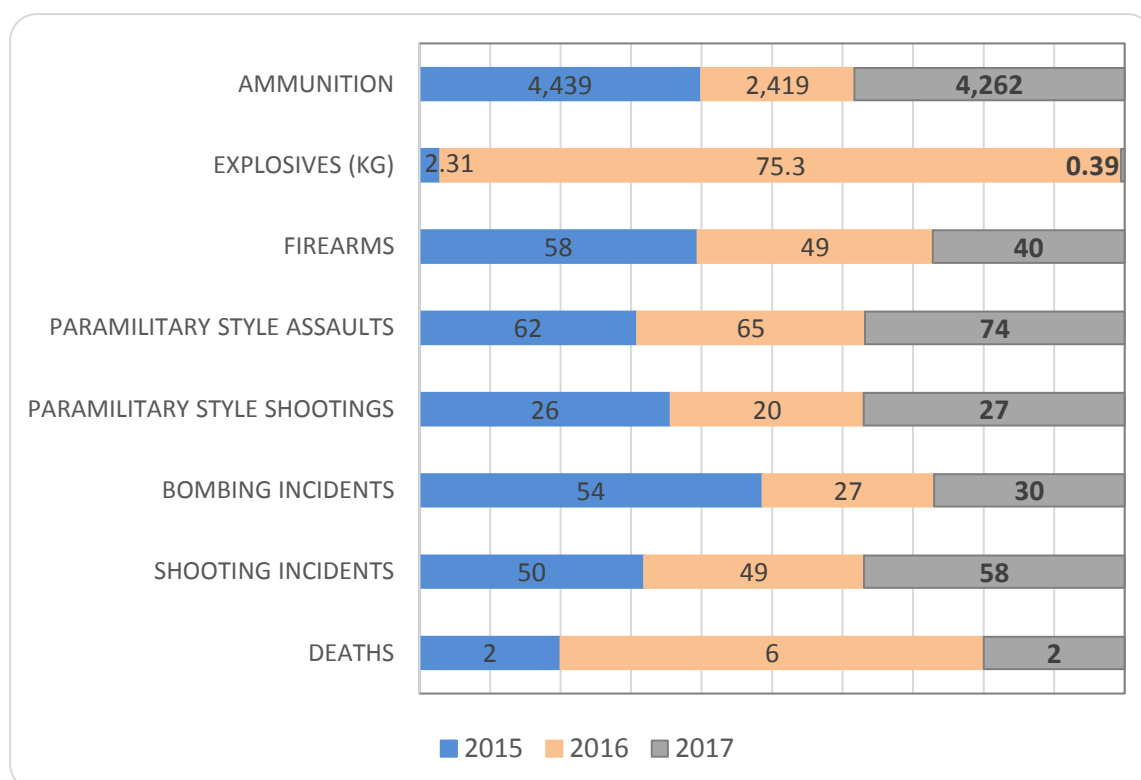
⁷⁷ BBC News, 23.01.2017, North Belfast: Police officer injured in gun attack - <http://www.bbc.co.uk/news/uk-northern-ireland-38712776>

⁷⁸ BBC News, 22.02.2017, Londonderry: Device found outside police officer's home - <http://www.bbc.co.uk/news/uk-northern-ireland-foyle-west-39049459>

⁷⁹ BBC News, 22.03.2017, Strabane explosion was 'attempt to kill PSNI officers' - <http://www.bbc.co.uk/news/uk-northern-ireland-39350435>

⁸⁰ BBC News, 23.04.2017, Bomb left outside Ardoyne school was designed to kill officers, say police - <http://www.bbc.co.uk/news/uk-northern-ireland-39679602>

Figure 21: Comparison of Security Related Incidents, NI 2015 - 2017



Source: PSNI Data⁸¹

10.3. The number of paramilitary style assaults has increased from 62 in 2015, to 65 in 2016 and 74 in 2017 – an increase of 13.9% between 2016 and 2017. Similarly the number of paramilitary style shootings has increased from 20 in 2016 to 27 in 2017 – a 35.0% increase. Although still high, at 40 firearms, the number of firearms discovered by the PSNI has declined from 58 in 2015. However, the number of rounds of ammunition found has increased by 76% between 2016 and 2017. The discovery of 75.3kgs of explosives in 2016 is significantly larger than that discovered in 2017.

10.4. The number of people arrested by the PSNI under Section 41 of the Terrorism Act increased from 123 in 2016 to 173 in 2017, whilst the number subsequently charged declined from 18 to 13.

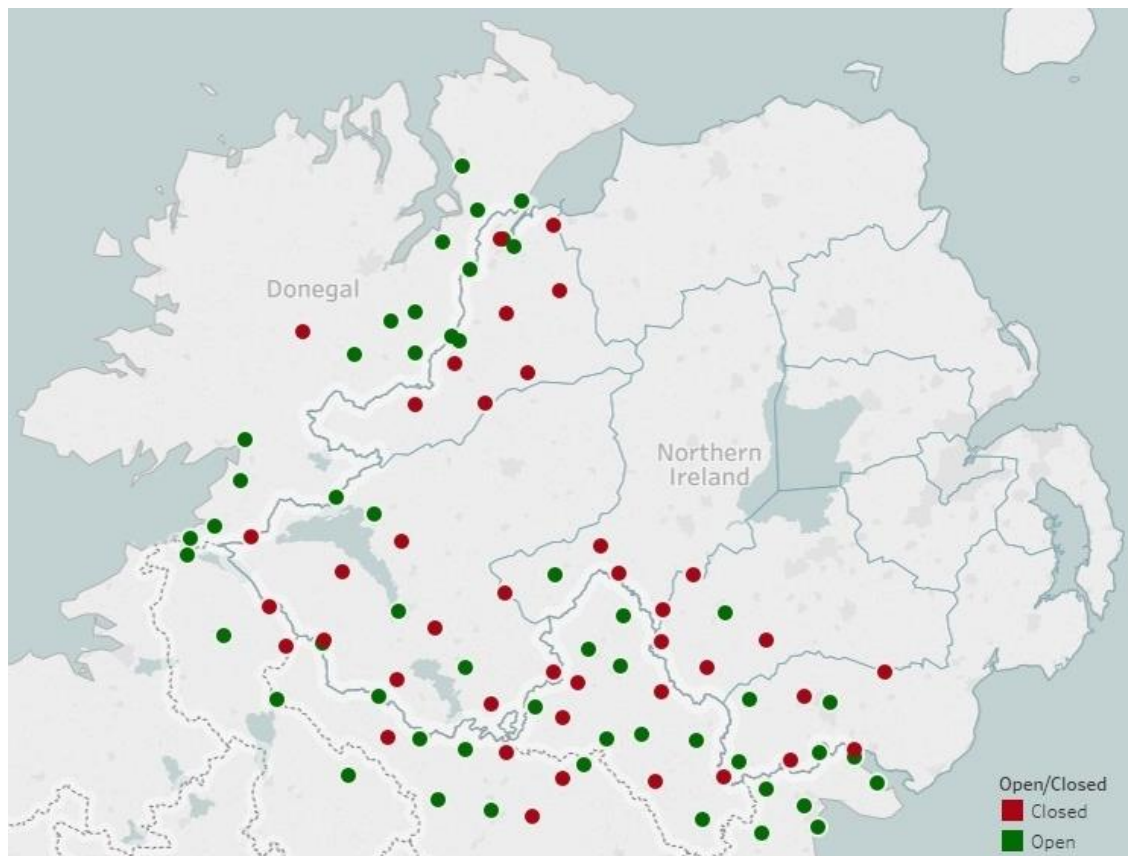
⁸¹ PSNI Recorded Security Statistics in Northern Ireland: Historic Information up to and including December 2017, <https://www.psni.police.uk/inside-psni/Statistics/security-situation-statistics/>

Brexit

- 10.5. There is no indication that NI's security situation and the 'severe' threat level is likely to change for the better any time soon. Indeed, continued uncertainties surrounding Brexit are adding to concerns regarding the security situation. Whilst it is difficult to provide a definite assessment of the impact of the UK leaving the EU on policing in NI, the Police Federation for Northern Ireland have continually vocalised our concerns. These concerns are largely based around the lack of information regarding future border arrangements, the potential for *any* 'hardening' of the border and issues associated with ever declining police resources.
- 10.6. The border between NI and the Republic of Ireland is over 310 miles long and has approximately 275 crossing points. It is unrecognisable from that which was in place just 20 years ago. Analysis conducted by The Detail in December 2017 outlined how the face of policing along the border between NI and the Republic of Ireland has changed since 1998. More than 40% of all police stations within a 10-mile radius of the border have closed, with just 52 remaining operational in 2017, down from 92 in 1998⁸². A greater number of PSNI stations have closed relative to Garda Stations, with PSNI stations accounting for just 21% of stations within a 10-mile radius of the border in 2017, compared to 42% in 1998. Of the 52 operational stations, just 11 are PSNI stations and the majority of these are part-time or have limited opening hours meaning the presence of police at or near the border is significantly reduced. Figure 22 identifies the locations of the stations which have closed and those which remain operational.

⁸² Fagan, M. 01.12.2017, The Detail, Loss of 43% of police stations on Irish border raises questions for any EU/UK frontier, <http://www.thedetail.tv/articles/loss-of-more-than-40-of-border-stations-prompts-questions-over-future-policing-of-eu-uk-frontier>

Figure 22: Police stations within a 10-mile border between Northern Ireland and the Republic of Ireland



Source: The Detail

- 10.7. Whilst the closure of these stations is an indication of the improved security situation in NI relative to pre-1998, uncertainties regarding how the border will look and how it will operate after the UK has left the EU is a significant concern. Any form of hardening at the border, physical or perceived, has the potential to act as a propaganda gift and, as reported by the PSNI Deputy Chief Constable, a recruitment tool for the very dissident terrorist groups the PSNI are actively trying to disrupt⁸³. Furthermore, as reported by the Chairman of the PFNI, the deployment of any police officers at customs posts or indeed any other fixed points along a hardened border would identify them as static targets and ‘they would in effect become sitting ducks for the terrorists’⁸⁴. This is simply not a practical option.

⁸³ The Guardian, 07.12.2017, Irish Border Checkpoints would be terror targets, police chief warns, <https://www.theguardian.com/uk-news/2017/dec/07/northern-irish-border-terror-target-police-chief-warns-brexit>

⁸⁴ The Guardian, 15.01.2017, Brexit border ‘would make sitting ducks of Northern Ireland police, <https://www.theguardian.com/uk-news/2017/jan/15/brexit-border-would-make-sitting-ducks-of-northern-ireland-police>

10.8. Any hardening of this border would undoubtedly place additional demands on the police service in NI, not least stemming from the potential for heightened tensions along the border, in terms of local community relations and opportunism from dissident republican groupings. However, there is also the potential for a significant increase in demand in order to deal with the consequences of any divergence in tax regimes and market regulations between the two jurisdictions. This could see a significant upsurge in the profitability associated with black market smuggling across the border. These are very real concerns and at present, given the continued decline of police resources and officer numbers in NI, it seems impossible to envisage the PSNI being able to provide the service required. Attempting to service this demand would undoubtedly have a serious knock-on effect on policing across the rest of NI as officers are transferred from current duties to carry out duties along the border.

Northern Ireland Transitional Allowance

10.9. The continued importance of the Northern Ireland Transitional Allowance (NITA) is evident from the details provided in this section, including; the on-going SEVERE threat from terrorist organisations and the potential for an up-surge in terrorist activity associated with any real or metaphorical hardening of the border. This allowance is an important acknowledgement of the extremely difficult and dangerous operating environment for police officers in Northern Ireland. It serves as both practical assistance for the financial burdens facing police officers here and as an important symbolic recognition of the risk and restrictions imposed upon the everyday lives of serving and retired police officers, as well as on their extended families.

10.10. Our position on this vital allowance has not changed since our previous submission, including the importance that the uplift to this allowance is made in line with the pay award. We remain of the view that any increase below this level would have a serious and detrimental impact upon morale and motivation of police officers.

10.11. In addition, with consideration given to the ongoing delay in the implementation of the 2017/18 pay award, we feel it is necessary to request that the PRRB recommends that the entirety of their 2017/18 NITA recommendation is backdated to September 2017 as and when the 2017/18 award is implemented.

Recommendation 9: That the Northern Ireland Transitional Allowance (NITA) is uplifted in line with the pay increase awarded to PSNI officers

Recommendation 10: That the PRRB NITA recommendation outlined in the third report on NI is backdated to September 2017 as and when the 2017/18 pay award is implemented

11. DOG HANDLERS ALLOWANCE

- 11.1. Dog handlers allowance is paid to officers who hold the specialist role of dog handler and who keep and provide for a police dog in their home. The allowance is provided as recompense for the necessary care given to the dog during an officer's rest days, days off and holidays. This allowance has typically been uplifted in line with the pay award and we feel it is imperative that this trend should continue.
- 11.2. In addition, with consideration given to the ongoing delay in the implementation of the 2017/18 pay award, we feel it is necessary to request that the PRRB recommends that the entirety of their 2017/18 dog handlers allowance recommendation is backdated to September 2017 as and when the 2017/18 award is implemented.

Recommendation 11: That dog handlers allowance remains and is uplifted in line with the pay increase awarded to PSNI officers

Recommendation 12: That the PRRB dog handlers allowance recommendation outlined in the third report on NI is backdated to September 2017 as and when the 2017/18 award is implemented

12. CRTP

12.1. The Competence Related Threshold Payment (CRTP) was introduced in PNB Circular 02/9 with the aim of recognising and rewarding officers who demonstrate high professional standards and competency in their role. The payment is awarded to officers who have completed one year at the top of their pay scale and who demonstrate high professional competence against four national standards. The current rate of CRTP is £1,224 per annum and crucially, this is a pensionable payment. The introduction of the payment was part of a package of changes to police pay and conditions which also included:

- The shortening of pay scales for the federated ranks
- The introduction of Special Priority Payments (subsequently removed in 2012)
- The reduction in the threshold for triggering the higher rate of compensation for working a rostered rest day from eight to five days
- The reduction in plain clothes allowance by 50% in 2003 and removal in 2004
- The withdrawal of subsistence, refreshment and lodging allowance in 2003
- The withdrawal of removal allowance in 2003
- The withdrawal of frozen undermanning allowance in 2003
- The withdrawal of firearms users' standby allowance and gratuity for fingerprinting and searching badly decomposed bodies in 2003
- The withdrawal of the recurring escort duty allowance in 2003⁸⁵.

12.2. It is of vital importance that the current review of CRTP takes into consideration the breadth of change to the pay, terms and conditions of police officers which occurred in 2002. As noted, this package of change culminated in a significant 'trade-off' between the introduction of CRTP as a single payment and the removal of seven other allowances.

12.3. It was anticipated that 'at least 75% of those eligible will be successful in accessing the payment'⁸⁶, however the realities are that approximately 98% of those who applied have been successful. Following the Winsor Review in England and Wales, which reported that 'such a high acceptance rate is...likely to be a reflection of a degree of management timidity

⁸⁵ PNB Circular, 02/9, Police Pay and Conditions Package

⁸⁶ PNB Circular, 02/17, Competence Related Threshold Payment

or neglect in the assessment of performance⁸⁷ the payment was phased out. This withdrawal did not take place in NI and at a full (UK) PNB in 2014 it was agreed that the payment in NI would be reviewed in 2018 with any recommendations to be implemented in 2019.

12.4. The Police Federation have entered into early discussions with the PSNI regarding the timeline and potential options available as part of the review of this important payment. It is our position that we wish to see this payment retained. We intend to engage fully with the entirety of this review process, however we are of the view that a more imaginable solution is required than simply removing the payment based upon a financial saving. The PFNI strongly believe that CRTP has an important role to play in the retention of experienced officers, in particular considering the likelihood of a significant increase in retirements in 2018, 2019 and 2020. It is our position that the removal of this pensionable payment (in any form, either phased or absolute) has the potential to increase the likelihood of these officers retiring upon reaching their full service due to the impact upon their final lump sum payment.

12.5. We will continue to engage with the PSNI in regards to this review and have agreed upon the following timeline:

- October 2017 – January 2018: Initial discussions with the PSNI. PFNI position put forward. Completed;
- February – March 2018: PSNI to present options paper to Service First Board and the Service Executive Team to determine PSNI's preferred option. PFNI to continue to develop their evidence base to inform their participation in the review;
- April – July 2018: Consultation with PSNI and other parties to reach agreement on way forward;
- August – October 2018: Unified position on the review of CRTP to the PRRB for consideration and their recommendations to the Finance Minister;
- November – January 2019: approval for proposed approach;
- April 2019: Implementation of reforms in respect of the payment of CRTP.

⁸⁷ Winsor, T. 2011, Independent Review of Police Officer and Staff Remuneration and Conditions, Part 1, p20; <http://webarchive.nationalarchives.gov.uk/20130312171436/http://review.police.uk/publications/945287>

12.6. In advance of any final position on CRTP it is the Federation's view that CRTP should remain open to new applicants throughout, including during the review period as well as during any implementation period which follows. As we have previously noted, CRTP is an important element of the overall pay package provided to eligible police officers in NI. Should this suddenly be made unavailable to officers who have spent a significant number of years working towards the top of their respective pay scale, this would have a significant impact on morale and could be potentially extremely divisive.

Recommendation 13: That the Competence Related Threshold Payment (CRTP) remain open to new applicants for the entirety of the review period as well as during any implementation period which follows.

12.7. Furthermore, CRTP has remained at its current rate since 2013. In this time the cumulative value of inflation (as measured by CPI) has equalled 7.5%, meaning the value of the payment, in real terms, is 7.5% lower than in 2013. As such it is our recommendation that this payment is increased in line with the pay award.

Recommendation 14: That the Competence Related Threshold Payment (CRTP) is uplifted in line with the pay award.

13. APPENDICES

13.1. Appendix A – Department of Justice Remit Letter

Mr David Lebrecht
Chair
Police Remuneration Review Body
Office of Manpower Economics
8th Floor Fleetbank House
2-6 Salisbury Square
LONDON
EC4Y 8JX

22 December 2017

Dear David

POLICE REMUNERATION REVIEW FOR 2018/19

As you will be aware Northern Ireland has been without a devolved administration since January 2017. I am writing, in the absence of a Justice Minister, to ask that you commence the annual review of pay for officers in the Police Service of Northern Ireland (PSNI) for 2018/19.

I am cognisant of the fact that the pay award for 2017/18 has already been implemented for police officers in England and Wales. While it is not ideal that the last pay round has not yet been concluded in Northern Ireland, I am keen to ensure that the review for PSNI officers for 2018/19 is considered concurrently with their counterparts in England and Wales.

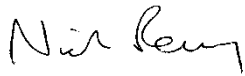
Officials have consulted with stakeholders over recent months and we would initially welcome recommendations on the following matters:

- the application of any pay award for 2018/19 for police officers of all ranks, including chief officers, in the context of the Chief Secretary to the Treasury's letter of 21 September 2017 on Public Sector Pay;
- whether any increase should be applied to the Northern Ireland Transitional Allowance (NITA) and other allowances;
- whether any increase should be applied to the Competence Related Threshold Payment (CRTP), pending its review by the PSNI; and
- consideration of any specific challenges for the PSNI highlighted in written evidence from NI parties, particularly in terms of recruitment and retention pressures.

I would emphasise that this letter is issued in the absence of, and subject to, the views of an incoming Justice Minister. Department officials will of course remain in close contact with your secretariat at the Office of Manpower Economics in that regard.

Please extend my thanks to your members for the work undertaken in support of the 2017/18 pay round. I look forward to working with you into the future as you commence your work plan for the forthcoming year.

Yours sincerely

A handwritten signature in black ink, appearing to read 'N P Perry', written in a cursive style.

N P PERRY

13.2. Appendix B – Chief Secretary to the Treasury; Public Sector Pay



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

David Lebrecht
Chair of PRRB
c/o Office of Manpower Economics
Fleetbank House
2-6 Salisbury House
EC4Y 8JX

21 September 2017

Dear David,

PUBLIC SECTOR PAY 2018 -19

1. Thank you for your work on the 2017/18 pay round. The Pay Review Bodies continue to play an invaluable role in making independent, evidence-based recommendations on public sector pay awards. I am extremely grateful to you and your colleagues for your considered work. This letter sets out the Treasury's overarching approach for the 2018/19 pay round.
2. Our public-sector workers are among the most extraordinarily talented and hardworking people in our society. They, like everyone else, deserve to have fulfilling jobs that are fairly rewarded. The Government takes a balanced approach to public spending, dealing with our debts to keep our economy strong, while also making sure we invest in our public services.
3. The Government will continue to ensure that the overall package for public sector workers is fair to them and ensures that we can deliver world class public services while also being affordable within the public finances and fair to taxpayers as a whole.
4. The last Spending Review budgeted for a 1% average increase in basic pay and progression pay awards for specific work forces, and there will still be a need for pay discipline over the coming years, to ensure the affordability of the public services and the sustainability of public sector employment. However, the Government recognises that in some parts of the public sector, particularly in areas of skill shortage, more flexibility may be required to deliver world class public services including in return for improvements to public sector productivity.
5. As the Office for Budget Responsibility's Fiscal risks report published on 13 July reminds us, at nearly 90 per cent of GDP, our public debt is still too high. So, while continuing



to invest in and improve our public services, we must also maintain our ambition to reduce debt at a pace which is sensitive to the needs of the economy.

6. With a more flexible policy it is of even greater importance that recommendations on annual pay awards are based on independent advice and underpinned by robust evidence, submitted by departments, that takes into account the context of wider economic circumstances, private sector comparators, and overall remuneration of public sector workers (including progression pay and pension entitlements). The role of the Pay Review Bodies is therefore more important than ever.
7. The Government values hugely the role of the Pay Review Bodies and appreciates the length of time it takes to complete a thorough process. As you know, the forthcoming 2018/19 annual pay round also marks the shift to a Single Fiscal Event in the autumn which will delay your receipt of departmental evidence. The process will therefore run to a later timeline this year: a letter will follow this in due course from relevant Secretaries of State and written evidence will likely be received in December rather than September as is usual for most PRB workforces.
8. I realise that the change in timing will impact on when the Government can expect to receive your report and, as a consequence, on when individuals will receive their pay award. I recognise that this is far from ideal as our hard-working public servants are entitled to receive their awards promptly. However, on balance given the importance of the process and the change in timing that has already occurred, I feel it is important we work to a later timeline rather than condensing the process. I hope that by making the timing clear at the beginning of the process workforces can be made aware, with plans put in place to work to a later timeline, and for you and your PRB members to manage your own time. The Office for Manpower Economics will be able to support you in this but, do get in touch if you have concerns in this regard.
9. I appreciate that you may have further questions about this change in approach and I would be pleased to discuss this further when we meet soon. I look forward to working with you over the coming years.

Best wishes,

RT HON ELIZABETH TRUSS MP