Financial Scrutiny Unit Briefing
Police and Fire Reform (Scotland) Bill: Financial Memorandum

Ross Burnside

This paper summarises some of the main financial issues Parliament may wish to consider during scrutiny of the Police and Fire Reform (Scotland) Bill.
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EXECUTIVE SUMMARY

Police and Fire Reform (Scotland) Bill: Financial Memorandum

Ross Burnside

The Police and Fire Reform (Scotland) Bill seeks to create a single Scottish Police Authority (SPA) and a single Scottish Fire and Rescue Service (SFRS). This paper looks at some of the financial issues raised during consultations on the Bill by the Scottish Government and the Scottish Parliament’s Finance Committee.

One of the central arguments used by the Scottish Government for the need for reform is that “significant cuts to public sector budgets” mean it is not possible to protect improvements in police and fire and rescue performance with the current organisational structure. The figures presented in the Financial Memorandum (FM) suggest that 25% of the projected savings are achieved as a result of structural change, with the remaining 75% of the projected savings achievable through reform of the existing police and fire and rescue services. Submissions from stakeholders to the Scottish Government and Finance Committee consultations on the Bill raise a number of questions around the robustness of the cost and savings estimates contained within the FM.

The potential VAT liability of a new single Police and single Fire and Rescue organisation is raised as a significant issue, estimated in the FM to be worth £22m for Police and £4m for Fire and Rescue budgets. Discussions between the Scottish Government and HMRC on whether the new bodies will be subject to VAT are on-going.

The Bill proposes that under the new arrangements all funding for police and fire and rescue will come from central government, as opposed to current funding which comes from Scottish Government and Local Government. Some submissions from Local Authorities argue that there should be some form of joint responsibility for funding local policing and fire and rescue based on local risks and priorities.

The FM also provides estimated voluntary redundancy costs for both the police and fire and rescue service. However, concerns have been raised that a disproportionate level of redundancy in civilian staffing levels could result in police officers having to fill the void, with implications for front-line service delivery. There is also a view that in the current difficult jobs market, there will be a lack of demand within the workforce for voluntary redundancy packages.
INTRODUCTION

The Police and Fire Reform (Scotland) Bill was introduced in the Scottish Parliament on 16 January 2012. The Bill seeks to create a single Scottish Police Authority (SPA) and a single Scottish Fire and Rescue Service (SFRS), and sets out the governance arrangements and framework for the new services. Further information and analysis on the Bill is available in SPICe briefing 12/14 (Oag 2012).

In addition to the policy aims of the Bill (see SPICe Briefing) the Scottish Government argues that there is a financial imperative driving reform, with the need to make efficiencies in the face of spending reductions. The Bill claims that the proposed changes can result in £1.5bn efficiency savings over a 15 year period. If savings of this level are being factored into the Scottish Budget, it is important that Parliament scrutinises their feasibility and monitors delivery.

This paper summarises some of the main financial issues Parliament may wish to consider during scrutiny of the Police and Fire Reform Bill.

PROPOSED FUNDING ARRANGEMENTS

Funding arrangements for both the Police and Fire Service will change significantly under the Bill. Currently, the police services are funded jointly by the Scottish Government and by local authorities, with total revenue funding for 2011-12 set at £1,370m. Funding for the fire and rescue services is currently provided by the constituent local authorities, via the local government settlement, with pension costs and revenue support for the Scottish Fire Services College at Gullane and for the Firelink communication system provided by the Scottish Government.

The Bill seeks to consolidate the various existing funding streams into a single funding stream provided directly by the Scottish Government to the SPA and SFRS. This funding will be subject to the approval of the Scottish Parliament through the normal budget process. Chapter 14 of the Bill (s85) seeks to give the Scottish Ministers powers to make grants to the SPA, as they determine (ss(1)) and subject to any conditions they may specify (ss(2)).

The FM to the Bill points to a clear financial imperative for legislating to create a single Police and Fire service. With regard to Police, the FM states:

“152. Police forces across Scotland continue to perform strongly, with recorded crime at a 35-year low, improved detection rates, and high levels of public satisfaction. In the face of significant cuts to public sector budgets, the Scottish Government wishes to protect this level of performance as far as possible. It is not possible to meet this challenge in the current structure and organisation of policing in Scotland. The decision to move to a single police service provides for long-term sustainability. It provides the best way to deliver savings – through reduced duplication, rationalised and simplified support functions and standardised business processes - while protecting front-line services to communities.”

In identical language, with regard to the Fire service, the FM states:

“222. Scotland’s fire and rescue services have performed well, helping to reduce deaths from fire by almost 50% over the last 10 years. In the face of significant cuts to public
sector budgets, the Scottish Government wishes to protect this level of performance as far as possible. It is not possible to meet that challenge in the current structure and organisation of fire and rescue services in Scotland. The decision to move to a single fire and rescue service provides for longterm sustainability. It provides the best way to deliver savings - through reduced duplication, rationalised and simplified support functions and standardised business processes – while protecting front-line services to communities."

As such, the Scottish Government is making the case for single Police and Fire Services, in a large part, on financial grounds.

OUTLINE BUSINESS CASES

The FM states that the estimated costs and savings in the FM are “based on information on current levels of costs, information from relevant stakeholders, and the OBCs (Outline Business Cases) for the police and for fire and rescue services.” The OBCs were published in September 2011, and form the basis for the calculations included in the FM.

The OBCs were developed by professionals from the Police and Fire services with the input of experts and stakeholders. Each OBC used Target Operating Model (TOM) methods¹ to assess the most efficient way of delivering the key service functions. The overall service TOM was then applied to three reform options:

- Status quo (eight forces/brigades) with enhanced collaboration
- A regional structure of three or four forces/brigades
- Single national police and fire and rescue services

POLICE OBC

The police OBC found that substantial efficiency savings could be made regardless of force structure and that most of these savings would be realised within the first five years. Thereafter, the OBC assumes a “steady state” under which this level of savings will continue over a projected 15 year period. Similarly, the costs of reform are estimated to peak after 5 years², reduce the following year then remain at that level for the projected 15 year period.

In financial terms, the option which offers the largest projected savings over a 15 year period is the single force option. However, significant financial savings would also accrue by applying the TOM to both the enhanced eight force structure and the regional force structure. In terms of annual savings, the OBC estimates that, after the fifth year (year 4 in the reform programme), the single force option would save around £106m per year compared to almost £97m per year for the regional option and just over £85m per year for the enhanced eight force option. It is clear, therefore, that the structural options differ only marginally in the scale of savings offered when considered over a 15 year period.

¹ The OBC describes a TOM as an optimum model for service delivery, allowing an informed assessment of the costs, benefits and risks associated with each option. It provides a visual representation of an organisation across its people, processes and technology, and articulates how these fit together in order to deliver outcomes. It represents a model of the most effective and efficient way to deliver services, but is not a blueprint for any new service.

² It may be noted that the first 5 years (years 0-4 in the reform programme) include what are considered to be ‘one-off’ transition costs and an element for contingency/optimism bias.
That said, the police OBC also considers that non-financial benefits would accrue using the TOM and that these would vary in scale under the different structural options. These non-financial benefits are considered under three broad headings; benefits which:

- improve policing outcomes through eg increasing the effectiveness of policing functions;
- improve wider public sector outcomes through eg increasing the effectiveness of partnerships;
- improve underlying organisational ability through eg reducing organisational complexity and streamlining internal processes

These ‘benefit categories’ were then weighted (50%, 30% and 20% respectively) and assessed against each structural option using a 0 to 10 scoring system under which a score of 0 meant that the structural option was capable of maintaining current outcomes and 10 meant it was capable of delivering significant improvement. The OBC non-financial benefit analysis found that, for all three benefit categories, the regional force structure scored higher than the enhanced eight force structure and the single service structure scored significantly higher than either the eight force structure or the regional force structure.

**FIRE AND RESCUE SERVICE OBC**

The Fire and rescue service OBC builds on work by the Ministerial Advisory Group (MAG) subgroup, and by others to produce costed options for structural reform of the service. Like the police OBC, the Fire and rescue OBC suggests that significant financial and non-financial savings would accrue by adopting a TOM and that these savings would vary depending on which structural option was chosen.

As for the police OBC, the single service option emerges as the biggest potential cost saver. In terms of annual savings, the OBC estimates that the enhanced collaboration eight brigade option would deliver net financial savings of over £7m per year, the regional service option would deliver savings of nearly £22m per year, and the single service option would deliver savings of just over £25m per year.

Using similar methodology to the police OBC, the fire OBC included an exercise to estimate the non-financial benefits which would accrue under each structural option using the TOM. A series of outcomes was identified and weighted and a scoring exercise was undertaken to rank each of the structural models in terms of their potential to deliver against the chosen outcomes. Like the police OBC, only marginal benefits were assessed as coming from the eight brigade structure while the regional structure had the potential to produce more significant non-monetary benefits and the single national structure, the highest level of non-monetary benefits.

**CRITICISM OF THE OUTLINE BUSINESS CASES**

The OBCs have been criticised on several grounds, including that they are subjective and partial, that they have not been tested in practice and that it is not clear how the non-financial efficiencies would actually be realised.

In their response to the second police consultation, for example, the Society of Local Authority Chief Executives (SOLACE 2011), say,
“The business case is deficient in many respects. It is not clear how the proposed reform will improve outcomes that are already very impressive (eg. lowest recorded crime levels for over 30 years). The claimed efficiency savings (circa £130M) rest upon some questionable assumptions, but even if accepted, Solace questions whether they are sufficient to warrant the likely cost and disruption involved in moving to the new National Police Service.”

A subsequent criticism is that the OBCs for both police and fire reform went from draft to final version without being independently audited (CIPFA 2011; Highland Council 2012). The Association of Principal Fire Officers Scotland (APFOS, 2012) argued that the “development of the OBC was rushed and completed with unreasonable haste”.

THE FINANCIAL MEMORANDUM

The OBCs form the basis of the costings produced in the FM, something which was raised as a concern in the submission to the Finance Committee by ACPOS (2012). ACPOS make the point that the FM has been set on the basis of the Outline Business case, not a full business case subject to proper due diligence.

“Within the OBC, there are some high level projections and assumptions that have not been subject to a process of due diligence that would more accurately assess delivery, costs and savings. The OBC was the means by which Scottish Government planned to assess the three options for reform against each other and make its decision, following which, and in line with established practice, a full business case was to be developed, providing a more accurate and a more comprehensive projection of costs, savings, business benefits and so on.”

ACPOS claims there is a risk that if the OBC’s projections have been overly optimistic, then costs might have been under-estimated and savings over-estimated, and if the projections have been overly pessimistic, the converse may be true. As such, there is a level of uncertainty around the figures contained within the FM, which would have been reduced had a Full Business Case been undertaken.

Table 1c of the FM combines the costs and savings that would be achieved from creating both a single Police and single Fire Service. The FM shows that a large proportion (approximately 75%) of the claimed efficiency savings could be achieved by reforms within the existing structure. Of the total projected savings of £1,463m over the 15 year period covered in the FM, £388m (or just over a quarter) potentially arise due to the changes to the structure (derived from table 1c of FM). In other words, 75% of the projected savings from the Bill could be achieved without creating a single Police and Fire service. The following table provides expected costs and savings resulting from the proposed reforms.
Table 1: Total projected costs and savings from the Bill, across police and fire (savings expressed as – £m)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs</td>
<td></td>
<td>5.27</td>
<td>19.5</td>
<td>51.9</td>
<td>58.3</td>
<td>20.7</td>
<td>-1.1</td>
<td>-5</td>
<td>0</td>
<td>150</td>
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<td>Savings</td>
<td></td>
<td>-21.6</td>
<td>-28.1</td>
<td>-34.6</td>
<td>-96</td>
<td>-123</td>
<td>-126</td>
<td>-126</td>
<td>-126</td>
<td>-1,613</td>
</tr>
<tr>
<td>Net savings</td>
<td></td>
<td>-16.3</td>
<td>-8.6</td>
<td>17.4</td>
<td>-37.7</td>
<td>-103</td>
<td>-127</td>
<td>-131</td>
<td>-126</td>
<td>-1,463</td>
</tr>
<tr>
<td>Costs adjusted for optimism bias</td>
<td></td>
<td>5.6</td>
<td>23.8</td>
<td>65.5</td>
<td>72.1</td>
<td>24.9</td>
<td>0.5</td>
<td>-5</td>
<td>0</td>
<td>187</td>
</tr>
<tr>
<td>Savings adjusted for optimism bias</td>
<td></td>
<td>-15.1</td>
<td>-19.7</td>
<td>-15.1</td>
<td>-57.2</td>
<td>-76.3</td>
<td>-78.4</td>
<td>78.2</td>
<td>-78</td>
<td>-996</td>
</tr>
<tr>
<td>Net savings adjusted for optimism bias</td>
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<td>-9.5</td>
<td>4</td>
<td>50.4</td>
<td>-51.4</td>
<td>-77.9</td>
<td>-83.2</td>
<td>-78</td>
<td>-808</td>
<td></td>
</tr>
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<td>Costs arising due to structure</td>
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<td>3.1</td>
<td>10.2</td>
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<tr>
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<td>4.5</td>
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<td>-31.7</td>
<td>-34.2</td>
<td>-34</td>
<td>-33.8</td>
<td>-428</td>
</tr>
<tr>
<td>Net savings arising due to structure</td>
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<td>0.2</td>
<td>1.8</td>
<td>14.7</td>
<td>1.2</td>
<td>-23.4</td>
<td>-35.9</td>
<td>-39</td>
<td>-33.8</td>
<td>-388</td>
</tr>
</tbody>
</table>

Source: Adapted from FM, table 1c
Note: as in the FM, savings are presented in the table as negative numbers.

The following figure shows the profile of savings over the years covered in the FM and the difference between total savings, savings adjusted for optimism bias and savings due to the proposed single force police and fire structure.

**Figure 1: Proposed Police and Fire reform - net savings, net savings adjusted for optimism bias and net savings arising due to proposed structure (£m)**

Source: Adapted from FM, table 1c

In-keeping with Treasury Green Book guidance, the FM also factors in optimism bias to its calculations around the costs associated with the Bill. Optimism bias ranges from 0-100% depending on the margins of uncertainty around a particular area. The FM states that “the likely level of optimism bias was assessed individually for each element of cost, informed by evidence of the costs of other UK public sector reforms and advice from government analysts and members of the current police forces”. The FM goes on to state that for most elements of cost an upward adjustment of 53% was adopted. The exceptions to this included police programme/project management costs (which were increased by 10%) and police information
and communication technology (ICT) costs, which were increased by 100%. However, the ICT costs for the Fire and Rescue Service were only adjusted by 53%, a point raised by the Chief Fire Officers Association of Scotland (CFOAS 2012).

Some items have not been adjusted at all for optimism bias – the remuneration of the Scottish Police Authority and VAT lines are fixed in table 2.1 (best estimated costs and savings from police reform) compared with table 2.2 (table 2.1 adjusted for optimism bias), presumably because these costs are known.

Figure 2 below presents the adjustments to the net savings arising from optimism bias and the net savings arising due to structure. This shows that the margin of uncertainty due to optimism bias is greater than the savings arising from structural change in every year to 2018-19.

**Figure 2: Level of adjustments due to optimism bias and savings arising due to structure**

<table>
<thead>
<tr>
<th>Year</th>
<th>Level of adjustment due to optimism bias</th>
<th>Net savings arising due to structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>6.8</td>
<td>0.2</td>
</tr>
<tr>
<td>2012-13</td>
<td>12.6</td>
<td>1.8</td>
</tr>
<tr>
<td>2013-14</td>
<td>14.7</td>
<td>1.2</td>
</tr>
<tr>
<td>2014-15</td>
<td>52.7</td>
<td>1.2</td>
</tr>
<tr>
<td>2015-16</td>
<td>51.6</td>
<td>1.2</td>
</tr>
<tr>
<td>2016-17</td>
<td>49.1</td>
<td>1.2</td>
</tr>
<tr>
<td>2017-18</td>
<td>47.8</td>
<td>1.2</td>
</tr>
<tr>
<td>2018-19</td>
<td>48</td>
<td>1.2</td>
</tr>
</tbody>
</table>

![Graph showing adjustments and savings](image)

Source: Adapted from FM, table 1c

The submission from Her Majesty’s Inspectorate of Constabulary for Scotland (HMIC 2012) raises the general point on the issue of optimism bias (para 4.10) that

“where optimism bias is applied to a factor such as ‘process improvement’ it is important to be clear exactly how an individual process is going to be improved before going on to allocate levels of certainty about scale of savings that will be delivered. It is this level of clarity that we find lacking.”

With regard to the specific issue of the 100% rate of optimism bias attached to ICT costs (mentioned above), HMIC’s submission to the Finance Committee points out that the OBC (on p50) highlighted that the default assumption in Treasury guidance is for an uplift of 200% to ICT costs. HMIC continues: “we would not share the apparent confidence in the positive prognosis for, or current condition of, police ICT infrastructure”. The SPSA’s submission to the Finance Committee also believes that the cost of change relating to ICT within the FM may be under-estimated (SPSA 2012).

The figures for the efficiency estimates in the Bill are adjusted to account for potential margins of uncertainty. Projected efficiency savings have also been presented with a 30% reduction to provide an indication of the range of efficiency which the proposals might (or might not achieve).
VAT LIABILITY

The FM states that the proposed move to single Police and Fire services may alter the existing exemption from VAT payments held by the existing police and fire services. At present, police forces and fire services are able, under section 33 of the Value Added Tax Act 1994, to recover any VAT costs incurred. A move to single Police and Fire services may result in the new bodies losing their section 33 exemptions status. The FM states that if the new bodies are subject to VAT, the cost of that payment would be a recurring annual cost of £21.5m for the single Police service and £4m for the single Fire Service. ACPOS identified this issue as being of great significance, estimating that this loss of revenue from Policing would be “equivalent to over 800 Police Staff that could be retained or an additional 550 Police Officers” (ACPOS 2011). Similarly CFOAS (2012) in its response to the Finance Committee claimed that the cost of VAT payments for the Fire and Rescue Service was a significant concern and could equate to £10m per annum, more than double the £4m claimed in the FM.

CIPFA (2011), in its submission to the Scottish Government’s consultation on police and fire reform suggest that this issue is fixable by the legislation. It cites the creation of the Scottish Police Service Authority (SPSA), suggesting that an oversight of legislative drafting led to that body being subject to VAT payments.

3.9. The Scottish Police Services Authority (SPSA) was introduced in 2007, it was later established that the body was not in fact registered as a VAT exempt body. It is understood that this was an oversight of legislative drafting and that there was subsequent financial and administrative consequences to the Scottish Government, the SPSA and to HMRC."

The VAT exemption issue relates to the status of the new Police and Fire Services. Police authorities and the Receiver for the Metropolitan Police District, as well as Local Authorities are currently classed as public bodies where VAT is recoverable (HMRC, April 2002, Notice 749). Non-departmental public bodies (NDPBs) cannot recover VAT on their expenditure on goods and services. Unlike the SPSA, the Bill proposes that that the new Police and Fire Services will be not be classed as NDPBs, but rather as ‘Other significant National Bodies’, along similar lines to HMIC and Audit Scotland. There is, however, according to the FM, still uncertainty around whether the new Police and Fire services will, as ‘Other Significant Public Bodies’ be able to reclaim VAT.

The HMRC notice 749 goes on to state that the Treasury has the power to add bodies to the list of VAT exempt bodies by order and that it will consider applications from bodies that meet both the following criteria. The body must:

- undertake a function ordinarily carried on by local government; and
- have the power to draw its funding directly from local taxation.

At the time of writing, this issue has not yet been resolved, though the Scottish Government say that discussions with HMRC on this topic are on-going. The Finance Committee is also awaiting a response on this issue from HMRC/HM Treasury.

In terms of precedent, it is also worth noting that the single Northern Ireland Police force has VAT exemption status (section 99 of the Value Added Tax Act 1994).
LOCAL ACCOUNTABILITY/DIFFERING LOCAL NEEDS AND ISSUES

Regarding the local accountability of the SPA, section 45 of the Bill requires the Chief Constable to ensure that there are adequate arrangements in place for the policing of each local authority area. The Chief Constable must designate a police officer of unspecified rank as Local Commander for each local authority area but that officer may cover more than one such area. Section 47 places the Local Commander under a statutory duty to participate in community planning, replacing a similar duty of the Chief Constable under section 16 of the Local Government in Scotland Act 2003.

With regard to fire and rescue accountability, section 113 of the Bill requires the SFRS to ensure that there are adequate arrangements in place for the carrying out of its functions in each local authority area. The SFRS must also designate a Local Senior Officer for each local authority area, however this person may be designated to more than one such area. Similar to the structure proposed for policing, section 113 also places a statutory duty on the Local Senior Officer to participate in the community planning partnership for the local area.

As mentioned briefly above, the FM to the Bill (paragraphs 160 and 229) states that “following the enactment of the Bill, the police service/ SFRS will receive all its funding – both revenue and capital – from the Scottish Consolidated Fund through the annual Budget Bill rather than via the local government settlement…..” Paragraph 161 of the FM also states that individual local authorities will still be able to provide additional funding to supplement policing in their area. Local Commanders (police) and Local Senior Officers (fire and rescue) will allocate local resources and seek resources from the Chief Constable/SFRS to deliver local policing and fire and rescue plans.

It is clear from responses to the second Government consultation that although there was broad agreement on the need to simplify both the funding and financial accountability arrangements for the police, there were mixed views on the proposal for all police and fire and rescue funding to come directly from the Scottish Government. Many local authorities argued for some form of joint responsibility for the funding of local policing and fire and rescue services or influence over the allocation of financial resources based on local risks and priorities.

For example, Falkirk Council stated that “….a Local Commander must have a devolved budget which is fully accountable to both the Chief Constable and local Elected Members. This must fully align with the local policing plan and local priorities and outcomes” (Falkirk Council 2011).

The Highland Council expressed concerns that “priority in funding will be given to poor performing areas rather than maintaining high standards of performance as there is currently within Northern Constabulary, and as such sufficient representation from the Highlands and Islands Areas is essential. Resourcing levels must be protected to ensure the continued delivery of high quality local outcomes” (Highland Council 2011).

COSLA argued that decision making and financial responsibility could not be separated. They said,

“…true local accountability cannot take place without a local budget being set and forming part of the arrangement. It is difficult to agree a plan, however well formed, being approved by a Council if the budget for their area was unsatisfactory and not likely to be adequate to deliver it. Without delegated budgetary control there would be little credibility in the case that a single service has improved or enhanced accountability at a local level”. (COSLA, 2011)
Paragraphs 184 and 248 of the Financial Memorandum provide an estimate of the costs likely to be incurred by local authorities for engaging with the new police service and the SFRS. According to COSLA, costs are likely to be in the region of £3m-£4m, based on costs for elected members, policy support, research and analysis and administrative support. The Policy Memorandum envisages that the “impact of the Bill is likely to be cost neutral as efficiency savings from not having the current police and fire and rescue joint boards and unitary authorities are estimated to equate to this amount” (FM, para 248).

REDUNDANCY COSTS

The FM confirms that, regarding the police reform proposals, “it is likely that rationalisation will be required in support functions with resultant voluntary redundancy costs”. The FM calculates voluntary redundancy costs for the police at £80.8m over the first 5 years to 2015-16. This calculation is based on actual costs incurred through recent police and SPSA voluntary redundancy programmes and an assumed natural attrition rate of 3% (FM, para 196). No indication of numbers and the balance between police and civilian staff is provided.

In terms of the fire and rescue reforms, the FM states that “some rationalisation may be required and result in redundancy costs”, with redundancy costs estimated at £4m spread over years 1-4. These calculations are based on reductions in uniform members being managed through staff turnover and retirements (with no redundancy costs required) and between a third and half of non-uniform headcount reductions coming from “some sort of voluntary redundancy package”.

Some concerns have been raised about the deliverability of existing services with a reduced staff complement. SPACF’s submission to the 2nd Government consultation on the police states that the OBC intends to achieve “cost saving adjustments” by reducing the current level of police support staff by almost one third through planned redundancy. SPACF (2011) conclude,

“It is difficult to appreciate how the current excellent delivery of policing services to the public will continue undiminished by adopting this methodology to the exclusion of having a “balanced workforce”.

The SPSA’s (2012) submission to the Finance Committee on the FM raises concern that the reduction in staff numbers will be achieved through natural attrition and voluntary redundancy, stating

“While this may be achievable in theory, these are blunt instruments and unlikely to result in the optimum skill, experience and grade profile.

Current policy around voluntary rather than targeted redundancy also constrains the ability to reduce expensive, senior staffing levels where excess capacity is most likely, and as a result may increase the potential impact of job losses among staff on average pay or below.”

There has also been press coverage about potential civilian job losses in the police service as a result of the reforms. The Scottish Police Federation and police union, Unison, have raised concerns that “more than 2,000 civilian staff” will go, with consequent knock-on impacts on police being taken from “streets” to fulfil civilian staff functions (Herald, Scotsman, 2012).

The Scottish Government’s pay policy is for no compulsory redundancies (Scottish Government 2011), and they are also committed to keeping police officer numbers at 17,234 (police officer staff costs comprise 73% of staffing costs) which places a constraint on any room for
manoeuvre should the required uptake of voluntary redundancies not materialise (ACPOS 2012). ACPOS also make the point in their submission that police forces and the SPSA have already reduced police staff levels by 1,000 full-time equivalents in the last 2-3 years mainly by voluntary redundancy. As a result, there is a diminishing pool of people likely to be attracted to the voluntary severance package, particularly when there is a Scottish Government policy of no compulsory redundancies and a difficult labour market. ACPOS continue:

“Our professional assessment based on that recent experience has shown that it is highly unlikely that voluntary redundancy schemes will attract such numbers, particularly within the current economic climate and a less than buoyant jobs market. By way of example, a Voluntary Redundancy Scheme within Strathclyde Police over the last eighteen months released only c200 members of staff and this was on more favourable terms than is assumed within the Financial Memorandum.

The scale and phasing of police staff voluntary redundancies, if it can be achieved, carries a risk that police officers will be drawn into non police roles. Our drive is to avoid this at all costs as we believe that it is not efficient, effective or the best way to design the new service. It does not represent Best Value. Police staff make a significant contribution to the overall policing effort and our professional view is that we require an appropriate workforce mix between police officers and police staff. Any notion that police staff simply perform a “back office” function is not an accurate description of the professional role they play.”

TRANSITION ARRANGEMENTS

To ensure a smooth transition to the new SPA and PSS, several prominent organisations, including CIPFA, COSLA and ASPS, have called for the publication of a transition timetable and the early appointment of a Chief Constable designate and shadow board. CIPFA (2011), for example, say that,

“A shadow period of operation (such as the one year shadow period prior to local government reorganisation in 1996) would allow the new authorities to operate in parallel with the existing bodies while new governance arrangements are embedded and while resources are transferred and acquired”.

The FM states that Scottish Government estimate that the cost of “shadow leadership” of the new PSS will be between £1.72m to £2.63m and for the SFRS, between £500 and £765k for, “…a period of six months of additional planning and preparation” (Paragraphs 187 and 251). This suggests that a six month transition period is anticipated.

TRANSFER OF ASSETS/RESOURCES

The Bill is not explicit on how assets and reserves from Police and Fire Authorities will be allocated under the proposed structure. For example, the current Joint Police Boards’ have built up reserves, and the Bill is not clear on whether these will be distributed to local authorities, based on their funding shares, or transferred to the newly created SPA and SFRS. The submission from ACPOS states that it is their understanding that in terms of the police reserves, the Scottish Government and COSLA have agreed that these funds will be recovered from Police Authorities and returned to the Scottish Government and COSLA on the 51%/49% split (as per current funding arrangements). At the time of writing, any resolution of this issue was not public.
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RELATED BRIEFINGS

SB 12/14: Police and Fire Reform (Scotland) Bill
This briefing provides background information on the police and fire reforms, including discussion of the Police and Fire Service Outline Business Cases and the Scottish Government consultations. It then relates these to the provisions in the Bill.