Justice Committee

Report on the Scottish Government’s Draft Budget 2016-17
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**Annexe B**

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Justice Committee

To consider and report on a) the administration of criminal and civil justice, community safety and other matters falling within the responsibility of the Cabinet Secretary for Justice and b) the functions of the Lord Advocate other than as head of the systems of criminal prosecution and investigation of deaths in Scotland.

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justice.committee@scottish.parliament.uk
0131 348 5047

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# Committee Membership

<table>
<thead>
<tr>
<th>Convener</th>
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</tr>
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<tbody>
<tr>
<td>Christine Grahame</td>
<td>Elaine Murray</td>
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<td>Scottish National Party</td>
<td>Scottish Labour</td>
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<table>
<thead>
<tr>
<th>Christian Allard</th>
<th>Roderick Campbell</th>
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<table>
<thead>
<tr>
<th>John Finnie</th>
<th>Margaret McDougall</th>
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<tr>
<td>Independent</td>
<td>Scottish Labour</td>
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<table>
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<tr>
<th>Alison McInnes</th>
<th>Margaret Mitchell</th>
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<tr>
<td>Scottish Liberal Democrats</td>
<td>Scottish Conservative and Unionist Party</td>
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<table>
<thead>
<tr>
<th>Gil Paterson</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scottish National Party</td>
</tr>
</tbody>
</table>
The Committee reports to the Finance Committee as follows—

Background

Introduction

1. The Scottish Government’s Draft Budget 2016-17\(^1\) was published on 16 December 2015.\(^2\) The Justice Committee this year focused its budget scrutiny on three areas of spend: policing, the fire and rescue service, and the Crown Office and Procurator Fiscal Service (COPFS).

2. The policing budget is by far the largest area of spending within the Justice portfolio (£1.069.6m\(^3\) in the 2016-17 Draft Budget). While the fire and rescue budget is much smaller (£294.7m in the 2016-17 Draft Budget), a key driver for both police and fire service reform was to deliver substantial savings from 2014-15 onwards. The Committee scrutinised the Police and Fire Reform (Scotland) Act 2012 which created the two new national services, and has since been keen to examine progress towards meeting the savings targets identified as part of its annual budget scrutiny regarding policing\(^4\) and during regular evidence sessions on fire reform. During these earlier sessions, the Committee heard that funding pressures were likely to intensify from 2015-16 onwards and had the potential to impact on operational and frontline delivery of both services. It therefore agreed to explore these matters further during this year’s budget scrutiny.

3. The COPFS budget is entirely separate from the justice portfolio and for 2016-17 is due to be £112.5m, down slightly from £112.1m in 2015-16. Having considered a number of issues relating to the COPFS budget as part of its budget scrutiny last year, the Committee was keen to establish whether the pressures on the system identified by witnesses still remain.

4. As the Draft Budget 2016-17 was published later than usual, on 16 December 2015, there was only time for the Committee to arrange one post-publication evidence session on 5 January 2016 before reporting to the Finance Committee. To inform this session, which was with the Cabinet Secretary for Justice, the Committee issued a call for views and took evidence from Police Scotland, the Scottish Police Authority (SPA), the Scottish Fire and Rescue Service (SFRS), and COPFS, on 1 December, in relation to their financial planning for 2016-17. The call for views attracted 11 written submissions\(^5\) and three supplementary responses.

5. This report provides a general overview of the spending plans in the Justice and COPFS portfolios, before exploring in more detail the policing, fire and rescue service, and COPFS budgets.
Justice Committee
Report on the Scottish Government’s Draft Budget 2016-17 (Session 4)

Justice and COPFS budgets

Overview

6. The table below reproduces figures from the Draft Budget 2016-17 on the Justice portfolio, the COPFS portfolio, and the ring-fenced central government grant to local authorities to pay for criminal justice social work.

Table 1: Justice, COPFS and Criminal Justice Social Work spending (cash and real terms)

<table>
<thead>
<tr>
<th></th>
<th>2015-16 budget £m</th>
<th>2016-17 draft budget £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Justice</td>
<td>2,608.4</td>
<td>2,512.3</td>
</tr>
<tr>
<td>COPFS</td>
<td>112.1</td>
<td>112.5</td>
</tr>
<tr>
<td>Criminal Justice Social Work</td>
<td>86.5</td>
<td>86.5</td>
</tr>
</tbody>
</table>

Source: Draft Budget 2016-17 (tables 8.01, 8.02, 14.01 and 14.02)

7. As set out in Table 1, the Justice portfolio budget is set to decrease, in cash terms, from £2,608.4m in 2015-16 to £2,512.3m in 2016-17 (-3.7%). This is a real terms reduction of 5.3%. The ring-fenced central government grant to local authorities to pay for criminal justice social work is to remain the same in cash terms, at £86.5m. This is equivalent to a real terms reduction of 1.6%. Funding for COPFS is set to increase slightly from £112.1m in 2015-16 to £112.5m in 2016-17, a cash-terms increase of 0.4%. This equates to a real terms reduction of 1.3%.

8. Table 2 below compares the proposed changes to justice, COPFS and criminal justice social work spend in years 2015-16 and 2016-17.
### Table 2: Proposed changes in justice spending, 2016-17 compared with 2015-16

<table>
<thead>
<tr>
<th></th>
<th>cash terms</th>
<th>real terms</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Justice</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Justice Services</td>
<td>+15.0</td>
<td>+13.1</td>
</tr>
<tr>
<td>Judiciary</td>
<td>0.0</td>
<td>-1.7</td>
</tr>
<tr>
<td>Criminal Injuries Compensation</td>
<td>0.0</td>
<td>-1.7</td>
</tr>
<tr>
<td>Legal Aid</td>
<td>-6.7</td>
<td>-8.3</td>
</tr>
<tr>
<td>Scottish Police Authority</td>
<td>+0.5</td>
<td>-1.1</td>
</tr>
<tr>
<td>Scottish Fire and Rescue Service</td>
<td>-4.7</td>
<td>-6.3</td>
</tr>
<tr>
<td>Police Central Government</td>
<td>-18.0</td>
<td>-19.4</td>
</tr>
<tr>
<td>Safer and Stronger Communities</td>
<td>-82.4</td>
<td>-82.6</td>
</tr>
<tr>
<td>Police and Fire Pensions</td>
<td>0.0</td>
<td>-1.7</td>
</tr>
<tr>
<td>Scottish Prison Service</td>
<td>-9.8</td>
<td>-11.4</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>+22.4</td>
<td>+20.4</td>
</tr>
<tr>
<td>Scottish Courts and Tribunals Service</td>
<td>+1.7</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-3.7</td>
<td>-5.3</td>
</tr>
<tr>
<td><strong>COPFS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>+0.4</td>
<td>-1.3</td>
</tr>
<tr>
<td><strong>Criminal Justice Social Work</strong></td>
<td>0.0</td>
<td>-1.6</td>
</tr>
</tbody>
</table>

Source: SPICe briefing for Justice Committee

### Justice portfolio

9. The Draft Budget 2016-17 sets out the Scottish Government’s priorities for the Justice portfolio in 2016-17—

- to support a modern and effective police service to ensure the safety and security of Scotland’s people and communities,
- to work with the Scottish Police Authority, Police Scotland, and the Scottish Fire and Rescue Service to ensure the consolidation of the benefits of police and fire service reform,
- to reduce the harm from fires and other emergencies through a focus on prevention and continue to invest in local and national multi-agency shared service initiatives to ensure appropriate responses to emergencies,
- to ensure that Scotland is appropriately and proportionately ready and able to address a sustained high level of terrorist threat and deal with violent extremism, and
- to work with national and local partners through our Building Safer Communities programme to reduce the number of victims of crime and unintentional injury.7
10. Detailed figures for Justice portfolio spending, in cash terms, are set out in Table 3.

Table 3: Justice spending (cash terms)

<table>
<thead>
<tr>
<th></th>
<th>2015-16 budget £m</th>
<th>2016-17 draft budget £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Justice Services</td>
<td>26.7</td>
<td>30.7</td>
</tr>
<tr>
<td>Judiciary</td>
<td>40.5</td>
<td>40.5</td>
</tr>
<tr>
<td>Criminal Injuries Compensation</td>
<td>17.5</td>
<td>17.5</td>
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<tr>
<td>Legal Aid</td>
<td>146.8</td>
<td>136.9</td>
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<tr>
<td>Scottish Police Authority</td>
<td>1,063.9</td>
<td>1,069.6</td>
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<tr>
<td>Scottish Fire and Rescue Service</td>
<td>309.2</td>
<td>294.7</td>
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<tr>
<td>Police Central Government</td>
<td>98.1</td>
<td>80.4</td>
</tr>
<tr>
<td>Safer and Stronger Communities</td>
<td>40.3</td>
<td>7.1</td>
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<tr>
<td>Police and Fire Pensions</td>
<td>350.6</td>
<td>350.6</td>
</tr>
<tr>
<td>Scottish Prison Service</td>
<td>396.2</td>
<td>357.2</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>31.2</td>
<td>38.2</td>
</tr>
<tr>
<td>Scottish Courts and Tribunals Service</td>
<td>87.4</td>
<td>88.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,608.4</strong></td>
<td><strong>2,512.3</strong></td>
</tr>
</tbody>
</table>

Source: Draft Budget 2016-17 (tables 8.01)

11. The reduction in the Safer and Stronger Communities budget from £40.3m in 2015-16 to £7.1m in 2016-17, a decrease of 82.4% in cash terms, is largely due to the transfer of funds for drug treatment services to the Health and Wellbeing portfolio. During evidence to the Committee on 5 January 2016, the Cabinet Secretary explained “the marked reduction that you see is a result of the transferring out of resource for drug treatment from the justice portfolio to the health portfolio, which will allow a more co-ordinated approach to be taken to drug and alcohol treatment”, adding “I took the view that drug treatment is primarily not a criminal justice issue but a public health issue”.

COPFS portfolio

12. The Draft Budget 2016-17 sets out the Scottish Government’s priorities for the COPFS portfolio in 2016-17—

- to prosecute complex, serious and organised crime including terrorism, murder, serious assaults, sexual offences, serious domestic violence, hate crime, drug and people trafficking and significant financial crime before the High Court and Sheriff and Jury courts,
Justice Committee
Report on the Scottish Government’s Draft Budget 2016-17 (Session 4)

- to continue our work on cold cases to deliver justice to families of murder victims where it has not previously been possible to do so, e.g. due to limitations in scientific knowledge,
- to take action to recover associated proceeds of crime,
- to conduct prosecutions before Justice of the Peace and Sheriff courts in respect of anti-social behaviour, domestic abuse and hate crime, and
- to meet the challenges arising from changes in the legal environment, including changes in the causes of crime, judicial decisions and planned legislation.  

13. Figures for COPFS portfolio spending, in cash terms, are set out in the table below.

<table>
<thead>
<tr>
<th>Table 4: COPFS Spending Plans (level 2) in cash terms</th>
<th>2015-16 budget £m</th>
<th>2016-17 draft budget £m</th>
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</thead>
<tbody>
<tr>
<td>COPFS</td>
<td>112.1</td>
<td>112.5</td>
</tr>
<tr>
<td><strong>Total Level 2</strong></td>
<td><strong>112.1</strong></td>
<td><strong>112.5</strong></td>
</tr>
<tr>
<td><em>of which:</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DEL Resource</td>
<td>108.5</td>
<td>108.9</td>
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<tr>
<td>DEL Capital</td>
<td>3.6</td>
<td>3.6</td>
</tr>
<tr>
<td>AME</td>
<td>-</td>
<td>-</td>
</tr>
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</table>

Source: Draft Budget 2016-17 (table 14.01)

14. This table shows an increase in cash terms of £0.4m in the COPFS budget from 2015-16 to 2016-17, with this entire sum being allocated to DEL Resource. Capital spend remains level at £3.6m in both years.

Policing

Background

Police and Fire Reform (Scotland) Act 2012

15. The Police and Fire Reform (Scotland) Act 2012\(^1\), which came into effect on 1 April 2013, replaced the eight territorial police forces in Scotland with one national force, Police Scotland, and the local police authorities and joint police boards with a national oversight body, the SPA.\(^2\) It made similar reforms to the fire and rescue services in Scotland, which are explored further in a later section of this report.

16. The 2012 Act also saw a change in the police funding arrangements. Prior to reform, the eight police forces were funded through a combination of funding streams from local and central government. Funds for the single national force come mainly from the Scottish Government budget through the SPA. As before,
local authorities can still opt to provide additional funding for policing in their local areas and Police Scotland can levy charges when providing certain goods and services.

17. As referred to earlier in this report, a key driver for police reform was to deliver substantial savings from 2014-15 onwards. The Financial Memorandum (FM) associated with the 2012 Act, estimated the total net savings from police reform to be in excess of £1.1 billion by March 2026. The FM included the following table as an indication of the estimated savings to be achieved by 2026 (minus the set-up costs) at 2011-12 prices.

Table 5: Estimated savings from police reform (as set out in FM)

<table>
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<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td>16.3</td>
<td>9.1</td>
<td>-9.1</td>
<td>28.4</td>
<td>83.2</td>
<td>100.0</td>
<td>101.0</td>
<td>1,135.0</td>
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</table>

18. The Committee, in both its Stage 1 report on the Bill and subsequent budget reports, noted concerns of witnesses regarding the lack of detail in the Outline Business Case (OBC) for police reform, on which the FM was based. During previous budget scrutiny, the Committee has consistently questioned whether the projected savings contained in the OBC are achievable within the expected timescales.

Police Draft Budget 2016-17

19. The majority of Scottish Government funding for policing is found in the SPA budget line. The SPA passes most of this funding onto Police Scotland, but retains a proportion to cover its own services and running costs. Table 6 below sets out the SPA’s funding in cash and real terms for 2015-16 and 2016-17.
Table 6: Scottish Police Authority (cash and real terms)

<table>
<thead>
<tr>
<th></th>
<th>2015-16 budget £m</th>
<th>2016-17 draft budget £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>cash terms</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resource</td>
<td>1,035.8</td>
<td>1,053.4</td>
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<tr>
<td>Capital</td>
<td>28.1</td>
<td>16.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,063.9</td>
<td>1,069.6</td>
</tr>
<tr>
<td><strong>real terms</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resource</td>
<td>1,035.8</td>
<td>1,035.8</td>
</tr>
<tr>
<td>Capital</td>
<td>28.1</td>
<td>15.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,063.9</td>
<td>1,051.7</td>
</tr>
</tbody>
</table>

Source: Draft Budget 2016-17 (table 8.07)

20. The Draft Budget 2016-17 sets out the Scottish Government's priorities in respect of the SPA's budget for 2016-17—

- to protect the SPA’s revenue budget in real terms,
- to strengthen the accountability of policing by taking forward the conclusions of the governance review being led by the SPA Chair,
- to work with the SPA and Police Scotland to strengthen the community focus of policing and refresh the Strategic Policing Priorities,
- to retain police officer numbers at 1,000 higher than in 2007 while at the same time working with the SPA and Police Scotland to consider the implications of changing demands on Scottish policing, and
- to continue to support police service, including community policing, specialist support, training, forensics services, ICT and criminal records, tackling serious and organised crime, drug enforcement, and counter terrorism.\(^{16}\)

21. The Draft Budget 2016-17 goes on to state that the capital budget will support the police in delivering elements of its capital plan, including investment in ICT infrastructure.\(^{17}\)

22. In a statement to Parliament on 16 December, the Cabinet Secretary for Finance, Constitution and Economy, stated that—

> In the past few years, our police service has undergone difficult but necessary reform. It is now time to build on that. I am pleased to confirm today that we will provide real-terms protection to the front-line policing resource budget next year and, if we are re-elected in May, for every year of the next Parliament, which is a boost of £100 million over that period.\(^{18}\)

23. Table 6 above shows the protected resource budget (in real terms) and a reduction in the capital budget of 43.4% (in real terms). In explanatory notes to the
level 4 figures, the Scottish Government confirmed that the capital budget reduction was in line with infrastructure priorities. The Scottish Government’s Infrastructure Investment Plan 2015, which was published alongside the Draft Budget 2016-17, stated that the above capital grant allocation “has and will continue to focus on”: the i6 and C3 ICT projects and ICT Blueprint; a rolling replacement of the fleet transport; custody suite upgrades as required by the Criminal Justice (Scotland); and forensic and other new projects to upgrade and enhances service delivery.

Police Central Government

24. The Draft Budget 2016-17 also includes a budget line for Police Central Government and sets out the Scottish Government’s priorities for this budget line in 2016-17—

- to continue to support the work of the Police Investigations and Review Commissioner (PIRC),
- to provide funding for the next phase of change in policing, now that the initial consolidation phase of reform is largely complete, and
- to fund the core Airwave communications system for police.

25. Table 7 below sets out Police Central Government funding in cash and real terms for 2015-16 and 2016-17.

<table>
<thead>
<tr>
<th></th>
<th>2015-16 budget £m</th>
<th>2016-17 draft budget £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>cash terms</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Police Support Services</td>
<td>2.8</td>
<td>0.1</td>
</tr>
<tr>
<td>National Police Funding and Police Change</td>
<td>95.3</td>
<td>80.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>98.1</strong></td>
<td><strong>80.4</strong></td>
</tr>
<tr>
<td><strong>real terms</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Police Support Services</td>
<td>2.8</td>
<td>0.1</td>
</tr>
<tr>
<td>National Police Funding and Police Change</td>
<td>95.3</td>
<td>79.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>98.1</strong></td>
<td><strong>79.1</strong></td>
</tr>
</tbody>
</table>

Source: Draft Budget 2016-17 (table 8.09)

26. Level 4 figures provided by the Scottish Government show a fall in planned spending on police reform from £70.3m in 2015-16 to £55m in 2016-17. In his statement to the Parliament on 16 December, the Cabinet Secretary for Finance, Constitution and Economy explained that spending on police reform was intended to end in 2015-16 but that, “instead of removing the reform budget … in order to consolidate the reforms and to support the work of the police, I am committing a further £55 million to the important task of community safety”. In evidence to the Committee, the Cabinet Secretary for Justice said that these funds would assist
Police Scotland in taking forward the next phase of reform. He explained that it would be for Police Scotland to identify areas in which it wishes to undertake further reform and to set out the case for additional resource to support that work to the SPA which, after detailed consideration, would ask the Scottish Government to release the sums required.22

**Police pensions**

27. The Draft Budget 2016-17 also contains a budget line for police pensions and a commitment from the Scottish Government that “in 2016-17 we will meet our obligations to provide for these pensions in full”. Spend on police pensions for 2016-17 is set to remain the same in cash terms as the previous year at £278.4m. The document explains that “the numbers … are based on historic trends and will be monitored biannually as in previous years to ensure accurate reporting as possible”.23

**Current financial year**

28. The Committee, in its report to the Finance Committee on the 2015-16 Draft Budget24, noted views of witnesses that identifying savings in 2015-16 would be more challenging than in previous years and that further cost-cutting measures may impact on operational effectiveness. Submissions from the SPA and Police Scotland to the Committee’s call for views on the 2016-17 budget indicated that working within the budget for the current year (2015-16) was expected to be very challenging. The SPA’s submission went on to state that “at this point in the financial year the SPA is reporting a forecast budget deficit of £25.3m at the year-end” and that “work will continue in this area to ensure that all practical steps are taken to limit any in year budget over-spend”.25

29. On 1 December 2016, the SPA Chief Executive, John Foley, told the Committee that, since the deficit was forecast, “the Authority and Police Scotland have engaged collectively, with a view to reducing that number in an attempt to get to a break-even position by the end of the year”.26 He went on to explain that, while some savings had been identified “considerable work is still required because it is a challenging target”.27 Deputy Chief Constable Neil Richardson said that, “set against the overall size of the budget, the overspend is in fact fairly small” but restated that all areas were being examined to identify where further savings can be achieved to "bring us on budget".28 He went on to say “the fact that there is a gap is no surprise”, adding “we knew that, as we went through reform, it was going to become increasingly difficult”.29

30. Following the evidence session on 1 December, the Auditor General for Scotland published her 2014-15 Audit30 of the SPA on 18 December, which estimated that the SPA and Police Scotland could face a potential funding gap of around £85 million by 2018-19.

31. On 5 January 2016, the Cabinet Secretary told the Committee that “we understand that the end-of-year overspend will be significantly lower [than
£25.3 million] as a result of the recovery plan that the SPA and Police Scotland have put in place", and the delay of some of the current year's savings until next year.\(^31\) He went on to say the new police reform budget of £55 million for 2016-17 “is also intended to assist Police Scotland in achieving some of the changes that it needs to make to achieve further savings”.\(^32\) The Cabinet Secretary disputed the assertion that this additional funding was an acknowledgement of a miscalculation in the level of savings that the reforms could achieve within the timescale, arguing that the funds are available to support the next phase of reform.\(^33\)

Commenting on the Auditor General’s projections of an £85 million funding gap by 2018-19, the Cabinet Secretary explained that these figures were compiled prior to publication of the Draft Budget 2016-17.\(^34\) The projections were therefore based on assumption of an overspend of £25.3 million at the end of current financial year, which was now expected to be much lower, and that no police reform funding would be available in 2016-17, when in fact £55 million was now being made available for that budget line.\(^35\)

The Committee has in successive budget reports continued to highlight the ongoing challenges faced by Police Scotland and the Scottish Police Authority in achieving the ambitious savings targets of police reform. Indeed last year, we urged the Scottish Government to work with both organisations to ensure that the timetabling of savings does not place unnecessary pressures on the delivery of police services. We are therefore concerned at the level of the projected overspend for the year 2015-16 reported by the SPA in December 2015.

The Committee acknowledges that the SPA and Police Scotland are working hard to significantly reduce this deficit by the year end. We also welcome the Scottish Government’s recognition of the pressures being faced by policing to achieve savings by making £55 million available for police reform in 2016-17. We further note that the SPA’s budget for 2016-17 has not increased in real terms despite the projected overspend in 2015-16.

Financial year 2016-17

Written submissions and oral evidence from the SPA and Police Scotland pre-dated publication of the Draft Budget 2016-17 and so, exact allocations were unknown at that time. The evidence received therefore focused on the financial planning being undertaken for 2016-17 and general observations on budgetary pressures and the savings required.

The Draft Budget 2016-17 represents the fourth year of funding under the new policing arrangements with significant savings already achieved. Concerns were therefore raised in evidence regarding the impact of any further cuts to the policing budget in 2016-17. In its written submission, the Scottish Police Federation (SPF) raised concerns regarding the prospect of further cuts and required savings,
arguing that “the scale and speed with which the police service has made cuts and savings has been almost eye watering.”  

“It went on to say that —

“Quite simply the SPF believes that Police Scotland has already saved more than could reasonably have been expected to date and must be given the breathing space to ensure it is able to concentrate on designing and delivering a police service without being completely pre-occupied with the need to continue to make cuts to save money.”

35. The Association of Scottish Police Superintendents (ASPS) also said “it is clear that Police Scotland is struggling to meet its savings requirement at the current time and a further reduction in the policing budget will place severe restrictions on the quality of service that it can provide in the immediate future.”

36. Both ASPS and the SPF had particular concerns that the current level of threat from terrorism should be reflected in funding decisions for 2016-17. The SPF stated that “there can be no doubt that recent events in Paris will necessitate a wholesale re-evaluation of policing capacity and capability”, while ASPS suggested that the issue “should focus minds during budget deliberations.”

Echoing this sentiment, Unison said “we agree with the SPF that the Scottish Government would be foolish to continue with its programme of cuts in the wake of the Paris terror attacks.”

37. As well as the threat from terrorism, HM Inspector of Constabulary in Scotland (HMICS), Derek Penman, highlighted cybercrime as another “new and emerging threat which policing must consider in terms of future investment.”

38. Responding to concerns highlighted by witnesses as to whether sufficient resources were in place to enable Police Scotland to cope with these emerging threats, Mr Foley told the Committee “we have an idea that we have the resources to deal with the threats that we know about currently” and “we will have to prepare ourselves to be able to address threats that will emerge.” DCC Richardson provided further detail on the work being undertaken in response to the current threat level—

“One of the advantages of moving to a national force is that it gives us greater flexibility to deal with issues such as we are now confronted with. We are in the process of making necessary adjustments and flexing arrangements to ensure that we can meet that challenge. Once we have clarity about expense or deficit that cannot be accommodated by the flexing that I have described, we will be in a position to articulate that.”

39. Also recognising that cybercrime “is a major threat not just for policing but for the whole of Scotland”, DCC Richardson advised that investment had been made in this area and that “we have capability just now, but it is at the tail end of its life, so it is important that that investment be progressed.”
40. The Scottish Government states that the real terms protection of the SPA resource budget for 2016-17 represents an additional £17m in funding. The published figures indicate that this is simply the difference in the cash terms figures for 2016-17 compared with 2015-16. The Cabinet Secretary explained that, while this “increase in funding is not a departure from our recognition of the need to make sure that the SPA and Police Scotland continue to seek and achieve further savings effectively, but it provides them with a level of resourcing that I believe will assist them to take forward the important work they undertake in a range of areas”. He added that the funds would “support some of the additional challenges that they face around counter-terrorism”.

The Committee notes the concerns of the Scottish Police Federation, Unison and the Association of Scottish Police Superintendents, regarding the potential effects of any further cuts to the policing budget in 2016-17, particularly at a time when the police are required to cope with new, challenging and emerging threats. The Committee notes the Scottish Government’s decision to make £17 million of additional resource for policing in 2016-17. We consider it imperative that the policing response to the serious emerging threats such as terrorism and cybercrime must be properly resourced. We therefore ask the Scottish Government to monitor developments in these areas closely and to put in place additional resource if and when required to ensure that protection of the public.

Strategic financial planning

41. In her 2014-15 Audit of the SPA published on 18 December 2015, the Auditor General reported that “the SPA still does not have a long-term financial strategy” and that progress towards this has been slow. The Auditor General identified that, of the five underpinning strategies that would support a long-term financial strategy, three had been approved with the remaining two expected to receive approval by March 2016. Two of three approved strategies lacked information on financial implications. The AGS also reported that incomplete records and poor financial management had delayed the audit of the SPA’s accounts and substantial corrections were needed before completion.

In a news release accompanying this report, the AGS, Caroline Gardner, said—

Police Scotland is one of our largest and most important public bodies. I first reported on the need for a long-term financial strategy for the service in November 2013. What was once important has now become critical, given the scale of the challenges ahead. While some progress has been made towards creating a long-term financial strategy, it has been slow. The SPA and Police Scotland must collectively provide stronger leadership in strategic and operational financial management. This is essential if they are to deliver effective modern policing for the public and ensure their long-term financial sustainability.”
42. HMICS, in his written submission to the Committee, also said he does not believe that the SPA and Police Scotland have a clear financial strategy in place and argued that—

There must be a clear long term vision for policing established through engagement with the people of Scotland, which allows detailed planning to take place to shape the organisation. This vision must be based on fiscal reality balanced with the very real new and developing threats which face us.

43. Asked to comment on HMICS' concerns, the SPA Chief Executive John Foley stated that “we have in place a financial strategy which runs up to 31 March 2016—it was a three-year strategy” and indicated that the next corporate and finance strategy was being currently being developed to come into effect at the end of March.

44. Responding to concerns raised by both HMICS and the Auditor General regarding the lack of a clear financial strategy, the Cabinet Secretary restated that early work undertaken by Police Scotland and the SPA concerned their three-year corporate strategy which included “the financial aspect, personnel and a whole range of other areas”. He continued that “they are now in a position where, since we have published our draft budget, they are able to set out their financial strategy for the forthcoming financial year, and how that will plan into the future”. He also stated that both the SPA’s work on planning for future demands on the service to report by summer 2017 and its police governance review due to complete in spring 2016 would “give a clear indication as to what it believes may be the financial and wider demands that will be placed on the service”.

45. In addition, the Cabinet Secretary addressed the concerns raised in the Auditor General's 2014-15 Audit regarding incomplete records and poor financial managing, stating “the SPA has assured me that it is taking action to make sure that it has greater accuracy in its accountancy work”. He added that the SPA intends to appoint an interim chief financial officer to support some of the work over the coming months and to address some of the deficiencies that have been highlighted, ensuring that “there is greater accuracy around those matters.”

The Committee is disappointed that three years on from the Auditor General for Scotland calling on the SPA and Police Scotland to develop a clear long-term financial strategy, the Auditor General and HM Inspector of Constabulary have reported that this is still not in place and that progress towards this goal has been slow. We urge the Scottish Government to take a closer interest in ensuring that the financial strategy expected to be produced by the SPA by March 2016 addresses long-term financial implications in line with the Auditor General's recommendations.
We are also concerned that again the Auditor General has reported that incomplete records and poor financial management had delayed the audit of the SPA’s accounts and that substantial corrections were needed. The Committee endorses the Auditor General’s recommendation that the SPA and Police Scotland must collectively provide stronger leadership in strategic and operational financial management. We expect no less from one of the largest and most important public bodies in Scotland. The Committee notes that the Cabinet Secretary has been assured by the SPA that it is taking action to make sure that it has greater accuracy in its accountancy work.

Police officer and staff configuration

46. In its submission to the Committee, Police Scotland stated that 94% of its budget is now allocated to people costs (historically around 85%) and 6% to non-people costs (historically 15%); and that financial savings had largely led to this change in profile. Police Scotland went on to state that “a high employee cost base represents a real challenge in terms of generating further efficiencies particularly given the commitment to maintain 17,234 police officers, no compulsory redundancies or service out-sourcing”.

47. The Scottish Government announced its commitment to make an additional 1,000 police officers available in 2007, and successive budgets, including the Draft Budget 2016-17, have repeated this commitment. The Scottish Government’s most recent police officer quarterly strength statistics show that police officer numbers increased by 1,021 in the period between 31 March 2007 and 30 September 2015.

48. Police bodies who responded to the Committee’s call for views were divided on whether the Scottish Government’s commitment to protect police numbers was beneficial or detrimental to Police Scotland’s ability to achieve both savings and an appropriate workforce composition. These arguments are explored in more detail below.

49. ASPS had concerns about the decision to protect police officer numbers whilst funding was being cut, arguing that this commitment “has severely hampered any moves to modernise in line with the savings target”. HMICS said he was commenting on the commitment on officer numbers for the first time, stating that—

“The consequence of a financial strategy which focuses primarily on a reduction in civilian staff is not sustainable and prompts behaviours such as those observed in our Assurance Review of Call Handling which included a lack of meaningful staff engagement, a focus on productivity and efficiency and adherence to timescales in spite of high levels of risk”.

50. UNISON had similar concerns that increasing the pressure to reduce the numbers of civilian support staff undermined efforts to maintain a balanced workforce,
arguing that it “does not allow flexibility for management to make the right best
decision to create an effective, efficient, modern police force for
Scotland”.\textsuperscript{67} It also argued that “de-civilianisation has taken place on a huge scale”
and that the work of large groups of police staff, whose posts had been deleted,
was now being carried out by police officers, who were already stretched.\textsuperscript{68}

51. However, the SPF took the view that focusing on the relationship between the
Scottish Government’s commitment to no fewer than 17,234 police officers and
reductions in civilian support staff was unhelpful.\textsuperscript{69} It suggested that, while a small
number of its members are performing functions that have become described as
back office, this is “a product of not being able to simply cease one area of activity
altogether the second an employee departs the organisation”, rather than any
long-term strategic objective.\textsuperscript{70}

52. DCC Richardson told the Committee that “the debate is in the wrong place—the
numbers part is less important than the money part”, adding “I am more interested
in seeing what settlement I can secure and, from that, determining how best to
deliver the necessary policing services across Scotland”.\textsuperscript{71} He also explained that
the Scottish Government’s commitment around police officer numbers had been
significantly helpful in the initial stages of reform as it had allowed service delivery
to be sustained and placed the focus on achieving savings in the longer-term and
more challenging areas of reform.\textsuperscript{72} While accepting that, without the financial
imperative it was likely that fewer police staff posts would have been dispensed
with, DCC Richardson stressed that “there would still have been significant
consolidation and downsizing” to streamline activity, avoid duplication and improve
efficiency.\textsuperscript{73}

53. He also restated Police Scotland’s position that “there is no policy of backfilling
and we have no plans to introduce one”, but explained that there are certain
circumstances where a police officer would provide temporary cover for absence
or court duty, or to allow civilian staff to take up voluntary redundancy earlier. He
also explained that, in some cases, a deliberate decision had been taken to
transfer particular functions, such as citations and firearms licensing, to police
officers to enhance operational effectiveness.\textsuperscript{74}

54. DCC Richardson stated that “we do need to find a balance in our workforce but
that is not something that we can craft straight away”, adding that “we need to
learn from experience what that balance looks like and what is the best asset to
bring in, whether that is a member of support staff or a warranted officer”.\textsuperscript{75}

The Committee notes the difference in view amongst police bodies regarding the
Scottish Government’s commitment to protect police numbers and the impact this
has on Police Scotland’s ability to achieve savings whilst maintaining a balanced
workforce.
As in previous years, the Committee again notes the stark difference of opinion between UNISON and Police Scotland on the level and appropriateness of the ‘backfilling’ that takes place within Police Scotland. Again, we ask the SPA to closely monitor and review this situation.

Liability for VAT

55. The eight legacy forces were able to recover VAT costs incurred (under section 33 of the Value Added Tax Act 1994) as they: (a) carried out local authority functions, and (b) had a power to draw on local taxation. Under the new policing arrangements, neither the SPA nor Police Scotland is able to recover VAT payments. During scrutiny of the Police and Fire Reform (Scotland) Bill, the Committee noted that, if the single service was to be subject to VAT, this could be an annual recurring cost of £21.5m for the single police service. At that time, the Committee urged the Scottish Government to pursue with HM Treasury all possibilities to resolve the issue, for example: (a) by treating Police Scotland in a similar way to the Police Service of Northern Ireland, and/or by (b) giving local authorities the capacity to contribute to police budgets.76

56. In last year’s report on the 2015-16 budget, the Committee noted that the Scottish Government had provided specific funding during the first three years of police reform to support the SPA in covering VAT payments, but that this funding was only guaranteed until the end of the 2015-16 financial year.77 At the time of budget scrutiny last year, the Chief Constable pointed out that there was an irrecoverable VAT element of £23 million in the budget which he said could have paid for roughly 680 officers. At that time, the Committee noted “frustration amongst police bodies and the Scottish Government that Police Scotland is the only police body in the UK that is unable to recover VAT payments on the services and material it purchases”, and urged the Scottish and UK governments to resolve the matter.78

57. Similar concerns were raised during this year’s budget scrutiny regarding Scottish police bodies being liable for VAT. DCC Richardson told the Committee that, “as the only policing organisation in the UK that is paying VAT, we are something of an outlier”.79 Janet Murray, Police Scotland’s Director of Financial Services, advised the Committee that the irrecoverable VAT figure was now in the region of £33 million which would cover the cost of 900 police officers.80

58. The Cabinet Secretary responded to the concerns raised—

Of course, some would argue that we were warned about that before the reforms took place, and I do not deny that some people gave those warnings. If neither of the organisations qualifies for VAT exemption because we have moved to national services, I do not understand why the National Crime Agency, which is a UK agency, gets VAT exemption, or why
academy schools in England were allowed VAT exemption, even though they are centrally funded.”  

59. The Cabinet Secretary gave a further example of this anomaly regarding VAT exemptions—

"We are having to replace the radio systems that are used by our emergency services, including the police, the fire service and the ambulance service. Over the course of its lifetime, that contract, which we are negotiating and working on with the Home Office, will probably cost us in excess of £400 million. The reality is that we are the only part of the UK sitting around the table that will have to pay VAT on that contract. Every other part of the UK that is joining in on that programme will not pay VAT on it”.  

60. He argued that, “if there is political will for VAT exemption to happen, it is very clear that it can happen”  

and said “we will continue to make representations to the UK Government on the matter at every opportunity” but “to date we have not made any further progress with the UK Government, despite our repeated calls to it to address the matter”.  

The Committee again notes the frustration amongst police bodies and the Scottish Government that Police Scotland is the only police body in the UK that is unable to recover VAT on the services and material it purchases. The Committee considers that this liability for VAT on top of the savings required from police reform places an unnecessary burden on an already stretched Police Scotland. We urge the Scottish Government and HM Treasury to engage in constructive discussions on this matter to ensure that this anomaly can be addressed. The Committee plans to write to HM Treasury separately on this matter.

Scottish Fire and Rescue Service

Overview

Police and Fire Reform (Scotland) Act 2012

61. The Scottish Fire and Rescue Service (SFRS) was established by the Police and Fire Reform (Scotland) Act 2012, replacing the eight fire and rescue services and local fire boards on 1 April 2013. Unlike policing (where a separate governance body, the SPA, was created), the SFRS Board provides corporate governance, strategic direction and support to the SFRS to fulfil its functions.

62. As with police reform, the merger of fire and rescue services was intended to make significant savings (£328 million by 2028). The table below, taken from the
FM, provides an estimate of the savings to be achieved by 2028 (minus the set-up costs) at 2011-12 prices.

Table 8: Estimated savings from fire reform (as set out in the FM)

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<td>£m</td>
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<td>-8.3</td>
<td>9.15</td>
<td>19.4</td>
<td>27.2</td>
<td>30.3</td>
<td>25.1&lt;sup&gt;85&lt;/sup&gt;</td>
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Fire and Rescue Service Draft Budget 2016-17

63. Table 9 below sets out the Scottish Government’s budget figures for the Scottish Fire and Rescue Service (SFRS) in both cash and real terms.

Table 9: SFRS spending plans

<table>
<thead>
<tr>
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<th>2015-16 budget £m</th>
<th>2016-17 draft budget £m</th>
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<tr>
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<tr>
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<td>Total</td>
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<tr>
<td>real terms</td>
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<tr>
<td>Resource</td>
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<tr>
<td>Capital</td>
<td>25.3</td>
<td>10.6</td>
</tr>
<tr>
<td>Total</td>
<td>309.2</td>
<td>289.8</td>
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Source: Draft Budget 2016-17 (table 8.08)

64. As shown in table 9, the SFRS resource budget remains unchanged in cash terms (which represents a real terms reduction of 1.7%), whereas the capital budget is set to fall by £14.5 million in cash terms over the same period. The Scottish Government outlined that a reduction in the capital budget “reflects a re-profiling of capital resources” and stated that, “in addition to the allocated capital budget, SFRS will also be able to retain their capital receipts from property disposals to re-invest in additional capital expenditure”.<sup>86</sup>

65. The Draft Budget 2016-17 sets out the Scottish Government’s priorities in relation to the SFRS—

- to ensure that the full benefits of fire reform continue to be delivered across the communities of Scotland,
- to explore opportunities for SFRS to make a wider contribution to public sector outcomes and working more closely with other emergency services, and
- to deliver the Fire and Rescue Framework for Scotland 2016.<sup>87</sup>
66. The Scottish Government’s Infrastructure Investment Plan 2015, which accompanies the Scottish Government’s Draft Budget 2016, notes that:

> The SFRS is in the process of rationalising its estate and this may impact on future infrastructure plans – there is a requirement for an accommodation block to enhance the SFRS national training service at Cambuslang. SFRS will look to continue its investment in: maintaining and enhancing community and fire fighter safety; the infrastructure of the SFRS; and maintaining acceptable standards for fleet and property”.

67. Written submissions and oral evidence from the fire bodies in November and December 2015 pre-dated publication of the Draft Budget 2016-17 and therefore exact budgetary allocations were unknown at that time. The evidence provided therefore focused on the financial planning being undertaken for 2016-17 and general budgetary concerns.

**Fire reform savings**

68. Although the Committee has not previously examined the fire and rescue service budget as part of its annual budget scrutiny, concerns were raised by fire bodies during the Committee’s regular evidence sessions on fire reform regarding intensifying pressure on the SFRS to meet savings targets which could have an impact on frontline delivery.

69. In its written submission to the Committee’s call for views, the SFRS noted that “a core rationale in the formation of the SFRS was to drive improvement by using national assets more flexibly across the country and by creating economies of scale and skill in our operations and corporate functions, such as finance”. It added “this has allowed us to improve service performance while simultaneously generating efficiencies”. However, despite the adoption of this more flexible approach, the SFRS have had to manage significant cost pressures, highlighting that “over the first 3 years of SFRS it has been necessary to reduce the cost base of the organisation by £48.2million (16.5%) to accommodate a funding reduction of £31.5million (10.8%) and absorb unavoidable cost pressures of £16.7million”.

70. With regard to specific areas where savings had been made, the SFRS submission stated that 58% of savings had been achieved from staffing costs, with the remainder coming from areas such as asset and contract rationalisation. During the Committee’s evidence session on 1 December 2015, the Chief Fire Officer explained that—

> “We have been set a target of saving £328 million through the reform process, and we are on track to deliver that. If we were to go beyond the target that was set for us, we would have to re-examine our delivery model.”

71. Audit Scotland noted in its report on the SFRS of May 2015 that the Service is on track to exceed the savings target of £328 million by 2027-28. However, Audit
Scotland also stated that development of a long-term financial strategy looking ahead to 2025-26 was now a matter of urgency. The SFRS confirmed in its written submission that it is in the process of developing this strategy.  

The Committee welcomes assurances from the Chief Fire Officer that the Scottish Fire and Rescue Service is on track to deliver the £328 million of savings identified from fire reform and recognises the significant work that the organisation has undertaken to enable it to meet this target. The Committee further notes that Audit Scotland, in its report on the Scottish Fire and Rescue Service (published in May 2015), recommended that the SFRS develop a long-term financial strategy looking ahead to 2025-26, as a matter of urgency, and also the assurances from the Chief Fire Officer that this work is underway.

Financial Year 2016-17

72. In its written submission to the Committee’s call for views on the SFRS budget, the FBU raised concerns about the scope for further savings. The submission concedes that economies of scale and the removal of duplication from the merger of the eight former services have mitigated some of the effects of the funding reductions, but contends that such measures have now been exhausted. It notes that—

“SFRS has already suffered disproportionate cuts of around 20% (including the £10 million VAT bill not mentioned in the report) in comparison to other public services and considering the reduction on the Scottish Government budget has been around 10.5% over the same time period. Front line firefighter numbers have reduced by around 10% over the last 5 years. Any further reductions of firefighters beyond this shall have an unacceptable impact on public and firefighter safety and our ability to continue to deliver the key benefits of reform”.

73. The SFRS estimates its costs will increase by £7 million in 2016-17 due to additional spending pressures of national insurance relating to changes in the state pension, as well as cost of living pay increases for all staff. It added that “we have also estimated that our savings initiatives will deliver cost reductions of broadly similar value, primarily in relation to control room rationalisation and our Resource Based Crewing Model”. The SFRS went on to say that “as such a ‘flat cash’ budget settlement could be managed by the service”, but said that, if there was a cash increase, it would be possible to further invest in the skills and capability of fire fighters, support partner organisations in dealing with inequality and an ageing population, and support its digital strategy. However, it said that a cash reduction would be “extremely challenging given the significant cost reductions in recent years and the highly fixed cost nature of the service”.
74. The SFRS indicated that the savings it has made to date have had little or no impact on service delivery, highlighting that “external audit and inspection bodies have noted continued service improvements since the inception of the service in April 2013”. However, the submission from the Fire Brigades Union expressed concern that “the unrelenting pressure to deliver savings is now having a number of counterproductive effects and impacting on the delivery of the front line service to communities”. The FBU also stated that a “number of recent reports have highlighted the worrying trend of increasing incident response times”. When asked to comment on response times, the SFRS Chief Officer, Alasdair Hay, told the Committee that—

There has been a slight increase in response times, but a lot of the evidence for that shows that it is because of changing traffic patterns across the UK – it is happening at a UK level. We have no evidence of specific increases in response times in Scotland.

75. The Draft 2016-17 Budget states that the Scottish Government will “explore opportunities for the SFRS to make a wider contribution to public sector outcomes and work more closely with other emergency services”. On this issue, the submission from the FBU noted that:

“Discussions are also well advanced over expanding the role of the firefighter. These are captured within specific work streams and taking place between the FBU and fire service employers in order that we can continue to meet the changing needs of our communities and businesses.”

76. Asked whether these additional SFRS responsibilities would have resource implications, the Cabinet Secretary said that “it is not about additional financial resource as such but about using the current slightly differently way to respond to different things”. He added that, “while ensuring that the service continues to deliver its core responsibilities, we are considering whether there is scope to utilise highly trained firefighters and the resources that are deployed across our communities more effectively to support greater community safety and community cohesion”.

77. As referred to above, the SFRS resource budget is set to remain the same in cash terms at £283.9 million. The capital budget is set to reduce in line with a “re-profiling of capital resources”, although the SFRS may also re-invest capital receipts from property disposals in capital expenditure.

78. In response to questioning on whether he was confident that the level of funding for 2016-17 would be adequate, particularly given the cash terms reduction in capital spend, the Cabinet Secretary said that “it is a manageable budget, and we will continue to be able to make progress on the reform of the SFRS”. He also highlighted the ability to move resource around the country in a way that allows greater flexibility to meet that demand in particular areas.
The Committee notes that the Scottish Fire and Rescue Service’s resource budget is set to remain the same in 2016-17 as in the previous year. We also note the assurances from the Chief Fire Officer that a ‘flat cash’ settlement could be managed by the service and from the Cabinet Secretary for Justice that the budget is “manageable”. The Committee considers that, although manageable, there is little slack within the 2016-17 budget to cope with additional pressures and responsibilities, or unexpected demands. We therefore urge the Scottish Government to monitor closely the pressures faced by the SFRS in the coming year to ensure that sufficient resource is available with a view to avoiding any diminution of frontline delivery.

Workforce configuration

79. The SFRS written submission states that 79% of its budget is spent on staff costs and that 58% of the savings to date have been found in this area of expenditure through: creating a single Strategic Leadership Team, Incident Command System, and support staff structure, as well as implementing a Resource Based Crewing model across Scotland to appropriately target front-line resources.110

80. During oral questioning, Mr Hay agreed that having the flexibility to achieve savings, without a government commitment to a minimum number of firefighters, had been helpful. He went on to say that the SFRS has—

“agreed with the Fire Brigades Union (FBU) a resource-based crewing model that requires us to have 3,709 firefighters. At this moment, we are 54 above that, although those people are not all in the right places across Scotland. We are using overtime to smooth the curve and get people into the right places.”111

81. Mr Hay also referred to a project looking at “what the retained service would look like if were to redesign it for the 21st century”, as “it was originally designed in the 1950s, when lifestyles were completely different”.112 He went on to say that “fundamentally, we think that the retained service needs a complete redesign” and highlighted that three pilots were being conducted in Aberdeenshire, the Scottish Borders and East Lothian, with recommendations expected to be put to the SFRS Board early in 2016.113

82. During the evidence session with the Cabinet Secretary on 5 January 2016, the Committee questioned whether staffing levels across the country were adequate. While acknowledging that the “resource configuration for firefighters is a process that is taken forward between the Scottish Fire and Rescue Service and the Fire Brigades Union”, he said “globally, it has the right numbers, but they are not necessarily all in the right places”, and highlighted particular difficulties in the north-east.114 He went on to state that “a large part of the country is covered by retained firefighters, and the Scottish Fire and Rescue Service is undertaking work
to revisit the approach and the way in which it utilises and provides retained cover, in order to ensure that it can meet demand in future years”.

The Committee notes the view of the Chief Fire Officer that having the flexibility to achieve savings, without a government commitment to a minimum number of firefighters, has been helpful. We also note that particular challenges remain in relation to the recruitment of firefighters in the north-east of Scotland and the reliance on retained firefighter arrangements particularly in remote areas. The Committee asks the Scottish Government to consider closely the outcomes of the SFRS work in this area to ensure that sufficient resource is available to implement these outcomes, with a view to more appropriately meeting demand throughout the country.

Control rooms

83. On 30 January 2014, the SFRS Board approved the decision to reduce the number of control rooms which handle emergency calls, from eight to three.\textsuperscript{115} In its written submission, the FBU argued that “these closures shall mean less staff dealing with more calls over larger geographical areas”, adding that “this coupled with the loss of local knowledge has the clear potential to result in calls taking longer to process and errors more likely to be made”.\textsuperscript{116} The FBU further expressed concern that the delivery of key training and evaluation “may be compromised by a lack of suitable funds to ensure a safe and effective transition”, suggesting that “this is a high risk project and there is no further transitional funding available to assist with implementing this”.\textsuperscript{117}

84. The Chief Fire Officer responded to these concerns, arguing that “we are using a model that we know works and is safe” and “we have established appropriate governance arrangements including effective programme and individual project management to ensure that we do this safely”.\textsuperscript{118} He added that “we have also engaged closely with staff, specifically our control room staff who have expertise in the area”.\textsuperscript{119} The Cabinet Secretary also sought to reassure the Committee that the fire service had taken forward a range of measures to try to reduce the risk of any problems occurring in its control rooms, for example, having shadow systems in place to ensure resilience and implementing the project over a period of time to allow quality of service to the public to be maintained.\textsuperscript{120}
The Committee notes the concerns of the Fire Brigades Union in relation to the closure of some fire control rooms and also notes the assurances given by the Chief Fire Officer and the Cabinet Secretary for Justice relating to the planning, implementation and progress of the programme to rationalise these control rooms. The Committee intends to monitor these developments closely as part of its ongoing work in relation to petition PE1511 on fire control rooms, and therefore asks for regular updates on how this work is progressing.

Liability for VAT

85. As with Police Scotland and the SPA, liability for VAT has applied to the SFRS since it was established in April 2013. Pat Watters, SFRS Chair, noted that “we are the only fire service in the country that has to pay value-added tax to provide emergency services to communities.” He also confirmed that, unlike the police bodies, the SFRS has not been in receipt of additional specific Scottish Government funding to assist with VAT liability since the creation of the single service. Asked to explain this anomaly, the Cabinet Secretary stated that—

> The Scottish Fire and Rescue Service VAT liability is met within its resource budget. It was agreed with the service previously that it would meet that cost from within its on-going resource budget, and we have made the same provision in this financial settlement.”

86. Other arguments raised in evidence relating to VAT are explored in more detail in the relevant section on Policing. That section sets out the Committee’s intention to write to HM Treasury on this matter; this letter will also cover concerns regarding the SFRS’ liability for VAT.
COPFS

Overview

87. Table 10 sets out detailed COPFS spending in cash terms.

<table>
<thead>
<tr>
<th></th>
<th>2015-16 budget £m</th>
<th>2016-17 draft budget £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>cash terms</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff costs</td>
<td>69.1</td>
<td>72.4</td>
</tr>
<tr>
<td>Office costs</td>
<td>4.3</td>
<td>3.9</td>
</tr>
<tr>
<td>Case related</td>
<td>15.7</td>
<td>13.4</td>
</tr>
<tr>
<td>Centrally managed</td>
<td>19.4</td>
<td>19.2</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>3.6</td>
<td>3.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>112.1</strong></td>
<td><strong>112.5</strong></td>
</tr>
</tbody>
</table>

Source: Draft Budget 2016-17 (table 14.03)

88. While there is a slight (cash terms) increase in the overall COPFS funding from 2015-16 to 2016-17, the table shows greater variation in the individual budget lines with an increase in staff costs, but reductions to office, case related, and centrally managed costs. Capital expenditure remains the same in both years.

89. The priorities for COPFS for 2016-17 are set out in the introduction to this report. In its written submission, COPFS clarifies that “to protect the constitutional independence as sole prosecutor the Lord Advocate negotiates directly with the Cabinet Secretary for Finance in respect of the COPFS budget”\(^\text{124}\). It further notes that, unlike many other public sector organisations and most other justice bodies, “we have no source of revenue apart from the budget set by the Scottish Parliament”\(^\text{125}\).

90. As all of the issues raised in evidence relating to the COPFS budget relate to pressures on budgets and staff, the Committee’s recommendations in relation to the COPFS budget can be found at the end of this section.

Current financial year

91. In last year’s budget report, the Committee noted concerns raised by the FDA Union (the Procurators Fiscal Society) regarding the increased workload of procurators fiscal and the personal impact on them from dealing with increasing numbers of complex sexual and domestic abuse cases. The Committee also noted assurances from the Crown Agent that an additional £2.7m in funding had been allocated for prospective major and complex cases in 2015-16.\(^\text{126}\) In its latest written submission, COPFS confirms that ‘one-off’ additional funding of £2.7m was
made available to it for “large/sensitive cases” and that a further one-off sum of £0.95m for work in relation to violence against girls and women.\textsuperscript{127}

92. COPFS also noted that, underlying the apparent increase in resource funding for 2015-16, was a flat cash settlement in relation to core running costs, within which it had to “absorb wage inflation including incremental movement of approximately 3.5% and non-wage inflation assumed to be around 2\%”.\textsuperscript{128} It said that it had “absorbed this reduction, whilst continuing to exceed published targets and delivering ‘unanticipated’ work, for instance dealing with the Clutha helicopter tragedy, the Glasgow bin lorry tragedy, and further developments in the Lockerbie case”.\textsuperscript{129}

93. COPFS submission went on to highlight increased pressure on its budget, including an increase in the reporting of historic sex abuse cases, cases brought under the Double Jeopardy (Scotland) Act 2011, new standards in relation to the treatment of victims and witnesses, and requirements around early engagement and recording of discussions with the defence.\textsuperscript{130} However, COPFS confirmed that “our ongoing programme of efficiency and effectiveness gains means that in 2015-16 we have been able to continue to absorb increasing demand with reducing real-term resources”.\textsuperscript{131}

94. In evidence to the Committee, the Cabinet Secretary said that the Scottish Government had recognised a growing confidence among certain groups of victims about reporting particular crimes, arguing that—

\begin{quote}
In 2014-15, we provided additional resource of £1.47m to help to support the courts, the prosecution service and the judiciary in meeting some of the additional demands that they faced in-year. In this financial year, we have provided an additional £2.4 million to support further work for the prosecution service and our courts to meet the additional demand. Therefore, over the past two years alone, we have provided almost £4 million of additional resource to help to meet some of the in-year demands that the courts experience.”\textsuperscript{132}
\end{quote}

\section*{2016-17 financial year}

95. The COPFS submission argued that the need to absorb inflationary pressures would place greater strain on its budget for 2016-17 and estimated inflationary costs of £1.1m on increased pension contributions, £1.5m on wage inflation, and between £0.4–£0.9m on non-wage inflation.\textsuperscript{133} It also highlighted “a major new pressure for COPFS in 2016-17” of increased staff costs associated with a requirement in the statutory milestone charter for additional meetings with bereaved families in respect of certain deaths cases.\textsuperscript{134} This requirement is set out in the Inquiries into Fatal Accidents and Sudden Deaths etc. (Scotland) Act 2015.

96. The submission went on to state that “we are looking across all parts of COPFS activity to save both money, and staff time, which can be redeployed to add maximum value”, adding “we will do our very best to continue to deliver our
current level of service and absorb the new pressures identified above in 2016-17; however our room for manoeuvre is becoming much more limited”.\(^\text{135}\) However, it also noted that overall crime figures have decreased and some less serious matters can now be dealt with by way of alternatives to prosecution.\(^\text{136}\)

97. The submission from the FDA Union (Procurators Fiscal Society) stated that it does “not consider it to be reasonable or achievable to continue to expect the service to deliver more with less”.\(^\text{137}\) It argued that—

> We cannot see how COPFS can continue to deliver current or improved standards of service with fewer staff. We fear that, not only will our members bear the consequences of these increased pressures, but there will inevitably be an impact on the wider justice system and the service provided to the public.”\(^\text{138}\)

98. Asked whether he was satisfied that the level of budget provided to COPFS and its increased workload is sustainable, the Cabinet Secretary highlighted that additional funds had been made available in recent years to COPFS, the courts and judiciary to meet additional demand.\(^\text{139}\) He went on to say that “I am confident that it will be able to manage that as effectively as it can” and said “we will continue to monitor such matters through the Justice Board to consider any changes in demand that are experienced in year” and will encourage cooperation across agencies to help offset some of these challenges.\(^\text{140}\)

99. On the issue of ensuring that sufficient funding was in place to properly implement new legislation, the Cabinet Secretary said that “with any piece of legislation we publish a financial memorandum setting out the anticipated financial implications of that legislation … including the likely levels of prosecutions”.\(^\text{141}\) He said “it would be wrong to give the impression that, when we introduce legislation that makes additional provisions in our criminal justice system, we do not provide additional resource to meet some of those demands”.\(^\text{142}\) The Cabinet Secretary reiterated that “I am confident that [COPFS] will be able operate within the budget that the Lord Advocate has agreed”.\(^\text{143}\)

Complex and serious cases

100. The written submission from the Inspectorate of Prosecution in Scotland referred to its Thematic Report on the Management of Time Limits,\(^\text{144}\) which highlighted pressures on the COPFS as a result of dealing with greater numbers of complex and serious cases during a period of tight budgets. When questioned about the impact of increased work on serious cases, Catherine Dyer (Crown Agent) told the Committee that—

> Crime has been falling overall, and a mixture of things have been happening. We have not had to have anything drop off, but we have changed around what our staff are doing. People are having to deal with the more serious end of casework, and that is what the courts are dealing
101. The Crown Agent went on to say that, following the increase in the volume of cases, “we think that we are probably now on a plateau and that the present level is the new norm”. She highlighted that, in previous years, COPFS had been able to obtain additional Scottish Government funding to cover exceptional costs, such as large, sensitive cases, including the Lockerbie investigation, where it is difficult to anticipate next developments.

102. As referred to earlier, the FDA submission stated it “cannot see how COPFS can continue to deliver current or improved standards of service with fewer staff” adding that “current conditions may place the health and welfare of prosecutors in jeopardy”. The Crown Agent however told the Committee that additional staff had been recruited in 2015 which she said was “the first time we have been able to do that for some significant time”. In addition, COPFS continues to take on a large number of trainee solicitors, and has offered permanent posts to 32 modern apprentices.

### Statutory timebars

103. In its written submission, the FDA Union (Procurators Fiscal Society) stated that “our members advise that it is still the norm for the vast majority of High Court cases to be indicted on either the very last day before the time bar (or the day before)" when the target is for 80% of cases to be indicted 4 weeks before expiry of the statutory timebar (before the 9-month date). It added that in sheriff and jury cases, only 71% of cases are meeting this target and argued “there is significant risk to cases in these circumstances and it is putting our members under great pressure”.

104. The Crown Agent, Ms Dyer, told the Committee that “the indicators that the FDA submission talks about are internal ones”, adding that “we have the tightest timescales in the western world for indicting custody cases … which means that staff have to work to very tight timescales”. She also highlighted that the Inspectorate of Prosecution in Scotland, in its aforementioned report, “indicated that we should move towards a performance indicator of indicting at least seven days before the time limit”, a target which the Crown Agent confirmed is currently being met in 100% of the cases being indicted.
Recommendations relating to the COPFS budget

The Committee recognises the additional pressures faced by COPFS in recent years arising from unanticipated work, an increase in the reporting of complex historic sex abuse and domestic abuse cases, and new requirements required by legislation. We note that, while COPFS was able to absorb the bulk of these additional costs in 2015-16, extra one-off funding was made available in-year to deal with particular large/sensitive cases and work in relation to violence against women and girls. The Committee notes that the significant pressures faced by COPFS in 2015-16 are likely to persist in 2016-17.

While the Committee welcomes the extra funding provided by the Scottish Government to COPFS to help it cope with additional demand, we are not convinced that the provision of ‘one-off’ in-year funding is the most effective way in which to approach these increasing pressures.

The Committee notes the ongoing work of the Justice Board in encouraging collaboration across justice agencies to help offset some of the demands facing the sector and addressing previous tendencies for silo working.

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1 It is a one-year spending plan as 2016 is a Scottish Parliamentary election year.
2 The Scottish Government’s annual budget is usually available in September but its 2016-17 Draft Budget was not published until 16 December 2015 as a consequence of the UK Government’s Spending Review being published on 25 November 2015.
3 This figure does not include Scottish Government funding under the Police Central Government budget line or funding for police pensions.
4 The Committee has examined the police budget as part of its annual budget scrutiny in each of the previous three years.
5 Written submissions to the Justice Committee’s call for views relating to the Draft Budget 2016-17.
6 All real terms figures in this report (i.e. figures adjusted for the effects of inflation) are expressed in 2015-16 prices. They are calculated using the same HM Treasury deflator of 1.7% for 2016-17 employed in the Draft Budget 2016-17.
7 Scottish Government’s Draft Budget 2016-17, page 64.
10 Scottish Government’s Draft Budget 2016-17, page 141.
11 Police and Fire Reform (Scotland) Act 2012.
12 The Act also abolished the Scottish Police Services Authority and the Scottish Crime and Drug Enforcement Agency.
13 Police and Fire Reform (Scotland) Bill, Financial Memorandum (contained within Explanatory Notes).
14 Estimated savings recurring annually after year seven.
15 Justice Committee’s Stage 1 Report on the Police and Fire Reform (Scotland) Bill.
16 Scottish Government’s Draft Budget 2016-17, page 71.
17 Scottish Government’s Draft Budget 2016-17, page 71.
19 Scottish Government’s explanatory notes on level 4 figures, page 3.
20 Scottish Government’s Infrastructure Investment Plan 2015.
The Scottish Government is also making available £55 million under the police central government budget line for police reform.

The baseline figure used for this commitment is 16,234, which was the number of police officers as at 31 March 2007.

Scottish Police Federation. Written submission, pages 1-2.

Her Majesty’s Inspector of Constabulary in Scotland. Written submission, page 3.

The five underpinning strategies are on procurement, estates, fleet, workforce and ICT.

Scottish Police Federation. Written submission, page 2.

Scottish Police Federation. Written submission, page 2.

Scottish Police Federation. Written submission, page 2.

The baseline figure used for this commitment is 16,234, which was the number of police officers as at 31 March 2007.

Scottish Government’s Draft Budget 2016-17, page 71.

Police officer quarterly strength statistics (30 September 2015).

Association of Scottish Police Superintendents. Written submission, page 3.

Unison. Written submission, page 4.

Unison. Written submission, page 2.

Scottish Police Federation. Written submission, page 2.

Scottish Police Federation. Written submission, page 2.

Scottish Police Federation. Written submission, page 2.

Her Majesty’s Inspector of Constabulary in Scotland. Written submission, page 3.

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Scottish Police Federation. Written submission, page 2.

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Scottish Police Federation. Written submission, page 2.

Scottish Police Federation. Written submission, page 2.

Scottish Police Federation. Written submission, page 2.
This level of saving will be replicated in each of the years 2019-20 to 2027-28 to achieve the total saving of £328m.
Justice Committee
Report on the Scottish Government's Draft Budget 2016-17 (Session 4)

137 FDA Union. Written submission, page 3.
138 FDA Union, Written submission, page 3.
144 Thematic Report on the Management of Time Limits
148 FDA Union. Written submission, page 3.
149 FDA Union. Written submission, page 3.
151 FDA Union. Written submission, page 2.
152 FDA Union. Written submission, page 2.
Annexe A

Extracts from the minutes of the Justice Committee and associated written and supplementary evidence

29th Meeting, 2015 (Session 4) Tuesday 27 October 2015

Work programme (in private): The Committee considered its work programme and agreed: to take evidence in relation to the Scottish Government’s Draft Budget 2016-17 in December and January; [. . . ]

31st Meeting, 2015 (Session 4) Tuesday 10 November 2015

Draft Budget Scrutiny 2016-17 (in private): The Committee considered its approach to the scrutiny of the Scottish Government's Draft Budget 2016-17 and agreed to (a) issue a general call for written evidence; and (b) invite representatives of the police and fire and rescue services and the Crown Office and Procurator Fiscal Service to give oral evidence and to provide written evidence in advance of the oral evidence sessions.

34th Meeting, 2015 (Session 4) Tuesday 1 December 2015

Draft Budget Scrutiny 2016-17: The Committee took evidence in advance of the publication of the Scottish Government's Draft Budget 2016-17 from—DCC Neil Richardson, Designated Deputy for Chief Constable, and Janet Murray, Director of Financial Services, Police Scotland; Andrew Flanagan, Chair, and John Foley, Chief Executive, Scottish Police Authority; Alasdair Hay, Chief Officer, and Sarah O'Donnell, Director of Finance and Contractual Services, Scottish Fire and Rescue Service; Pat Watters, Chair, Scottish Fire and Rescue Service Board; Catherine Dyer, Crown Agent and Chief Executive, Crown Office and Procurator Fiscal Service.

Roderick Campbell declared an interest as a member of the Faculty of Advocates.
Written evidence

- Crown Office and Procurator Fiscal Service
- Police Scotland
- Scottish Fire and Rescue Service
- Scottish Police Authority

Supplementary written evidence

- Crown Office and Procurator Fiscal Service (supplementary submission)
- Police Scotland (supplementary submission)
- Scottish Fire and Rescue Service (supplementary submission)

1st Meeting, 2016 (Session 4) Tuesday 5 January 2016

Draft Budget Scrutiny 2016-17: The Committee took evidence on the Scottish Government's Draft Budget 2016-17 from—Michael Matheson, Cabinet Secretary for Justice, Don McGillivray, Deputy Director, Safer Communities Directorate, and John Nicholson, Safer Communities Directorate, Scottish Government.

Roderick Campbell declared an interest as a member of the Faculty of Advocates and John Finnie declared an interest as a recipient of a police service pension.

2nd Meeting, 2016 (Session 4) Tuesday 12 January 2016

Draft Budget Scrutiny 2016-17 (in private): The Committee considered a draft report to the Finance Committee on the Scottish Government's Draft Budget 2016-17. Various changes were agreed to and the Committee agreed its report.
Annexe B

List of other written evidence

- Association of Scottish Police Superintendents
- Fire Brigades Union Scotland
- HM Inspectorate of Constabulary in Scotland
- Inspectorate of Prosecution in Scotland
- Procurators Fiscal Section of the FDA
- Scottish Police Federation
- Unison Scotland