Justice Committee

Post-legislative scrutiny of the Police and Fire Reform (Scotland) Act 2012

Written submission from Audit Scotland

1. Audit Scotland is a statutory body set up under the Public Finance and Accountability (Scotland) Act 2000. It supports the Auditor General for Scotland and the Accounts Commission in checking that organisations spending public money use it properly, efficiently and effectively.

2. The Auditor General for Scotland appoints the auditors of the Scottish Fire and Rescue Service (SFRS) and the Scottish Police Authority (SPA). In addition to the annual audit reports on the two organisations, the Auditor General has laid eight other reports in the Scottish Parliament on the two organisations since they came into existence on 1 April 2013 (see Appendix). This submission draws on these reports and our wider knowledge of the two organisations. Given Audit Scotland’s remit, it focuses on three themes: governance, finance and the progress of reform.

3. There are several points that apply to both the SFRS and the SPA and Police Scotland:

   - The Police and Fire Reform (Scotland) Act 2012 fundamentally changed the governance of fire and rescue and policing by transferring responsibility for fire and police from the local government sector into the central government sector. This represented a marked change and has resulted in more intense scrutiny and challenge of the management of the SFRS and Police Scotland in comparison with the previous local government arrangements.

   - An additional consequence of the transfer was the loss of the ability to reclaim VAT. In November 2017, the Treasury decided to allow VAT to be reclaimed. This change had positive impacts on the finances of the two organisations increasing their spending power in 2018/19 by £10 million and £22 million for the SFRS and the SPA respectively.

   - Following recommendations from Audit Scotland, both SFRS and Police Scotland have prepared long-term financial strategies. This has been a positive step and provides invaluable context for the development of their future organisational strategies and understanding of the financial constraints that the organisations will have to work within.

   - Although changing organisational structures and integration of policies and systems are important and necessary first steps, the real prize of reform will be the transformation of the fire and rescue and police services into national organisations that are able respond to current and future risks and demands within what may well be a constrained financial

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1 Audit Scotland have been the auditors of the Scottish Police Authority throughout its existence. The Scottish Police Authority’s accounts include expenditure by Police Scotland. Grant Thornton audited 2013/14, 2014/15 and 2015/16 accounts of the Scottish Fire and Rescue Service. Deloitte audited the 2016/17 accounts and will do so for the next five years. The annual audit reports are available through http://www.audit-scotland.gov.uk.
context. Both organisations have now set out their long-term visions and are working to transform how they operate to realise them.

Scottish Fire and Rescue Service

Governance
4. The SFRS has a wholly non-executive board of between 10 and 14 members, appointed by Scottish Ministers. In our 2015 report on the SFRS, we commented that the board was “[…] starting to perform well”. In our recently published update report, we noted that “It has continued to develop and improve, with real strengths in the quality of discussion and scrutiny and challenge of management.” Our recent report notes: “There is continual work to review and improve governance arrangements.”

5. One of the objectives of reform was to strengthen links with local communities and local authorities. This has been a strength of the Scottish Fire and Rescue Service. In our 2015 report, we commented that: “The SFRS has maintained effective local engagement in the move to a national service”. In particular, the appointment of senior staff focused on local engagement and delivery (deputy assistant chief officers and local senior officers) has assisted in this.

Finance
6. For 2018/19, the SFRS has a revenue budget of £264.4 million and a capital budget of £32.5 million). Its real terms budget has fallen by 12 per cent in real terms since 2013/14 with the most significant fall occurring between 2013/14 and 2014/15 (Exhibit 1). The SFRS has operated within its budget throughout its existence.


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Note: Figures exclude contribution to the UK Firelink communication system.

7. Our recent report on the SFRS noted that: “It has inherited a backlog of £389 million needed to maintain and invest in its property, vehicles and equipment. This backlog is insurmountable without transforming its current model for delivering services and additional investment.”

8. Although financial savings were not an overt aim of reform, the Financial Memorandum that accompanied the Police and Fire Reform (Scotland) Act 2012 noted that, based on the Outline Business Case that had been prepared, merger and reform of the predecessor fire and rescue services should realise £328 million of net savings by 2027/28. In our 2015 report, we noted that the SFRS was: […] on track to exceed expected savings of £328 million by 2027/28.”

Reform
9. Following merger, we characterise the next phase of reform as integration – in other words, harmonising and consolidating the policies and systems of the
organisations into national arrangements. In April 2018, the SFRS secured agreement to harmonise firefighters’ terms and conditions, as our recent report notes, places: “[…] the SFRS in a good position to complete integration of the service”.

10. The SFRS is in the process of trying to become an organisation that, in addition to its key role in responding to fires and other incidents such as road accidents and floods, contributes more widely to community safety in a broader sense by becoming more widely involved in areas such as home safety and emergency medical response. This has been SFRS’ vision for some time and it is now at the point where it should be able to start to realise that vision. The time taken partly reflects a cautious approach by the SFRS but also reflects external factors that have influenced the pace at which it has been able to progress. It was only during the latter part of 2017/18 that the SFRS was confident that it was in a financial position to proceed with its transformation plans. The SFRS was also determined to work in partnership with the Fire Brigades Union, which operates primarily at a UK level. The SFRS have suggested that implementation of its transformation plans will take at least another four years.

Scottish Police Authority

Governance

11. The Act established the Scottish Police Authority as a separate organisation to Police Scotland, accountable to Scottish Ministers, with the functions of maintaining, improving and reviewing the police service, to promote the policing principles as set out in the Act and, critically, to hold the chief constable to account for policing in Scotland. There is a non-executive board of between 10 and 14 members. The structure served to ensure that the chief constable was not directly accountable to Scottish Ministers. There has been recent public and political debate (regarding the former chief constable) over the extent of Scottish Ministers’ involvement in the Scottish Police Authority’s operations.

12. The early history of the Scottish Police Authority and Police Scotland was characterised by well documented disputes over responsibilities, for example, over responsibility for corporate functions such as finance and delays in appointing senior staff members to the Scottish Police Authority. In our November 2013 report, we commented that there was: “[…] a lack of clarity in roles and responsibilities, and difficult relationships between the Scottish Government, the SPA and Police Scotland.” This situation has continued to affect the Scottish Police Authority and Police Scotland throughout their existence.

13. In our view, the Scottish Police Authority has struggled to establish and assert its authority over Police Scotland and fully hold the chief constable to account for policing in Scotland. At the same time, there has been insufficient respect and recognition given to the Scottish Police Authority and its role and status by Police Scotland. These issues have been compounded by a high level of turnover in the membership of the Scottish Police Authority which has restricted its ability to perform effectively.

2 Police and Fire Reform Scotland Act, s.2(1)
14. The earliest years of the new policing arrangements focused on establishing Police Scotland as a national organisation and, in some cases, this detracted from maintaining and developing local relationships. This was recognised in the Scottish Government’s most recent evaluation of the progress of reform which noted that there needed to be "[...] a renewed and refreshed commitment to localism in policing." It should be noted that feedback at a local level from, for example, community planning partners, has frequently been positive about the levels of engagement and commitment from Police Scotland.

Finance
15. As noted above, responsibility for finance was one of the issues that caused dispute between the SPA and Police Scotland. The chief executive/officer of the SPA is the accountable officer, in terms of the Scottish Public Finance Manual, for all expenditure across the two organisations. The overwhelming majority of the expenditure is made by Police Scotland under the day-to-day control of the chief constable. Currently, there is a single chief financial officer who reports to Police Scotland’s Deputy Chief Officer and who has parallel line of accountability to the interim chief officer of the Scottish Police Authority. This situation has evolved from previous arrangements where there was a director of financial accountability in the Scottish Police Authority and a director of finance in Police Scotland.

16. For 2018/19, SPA has a revenue budget of £1.094 billion. Since 2013/14, the SPA’s budget has fallen by 11 per cent in real terms (Exhibit 2). Again, the most significant falls occurred between 2013/14 and 2014/15. Since then, the real terms reductions in funding have been less significant and in late 2016, the Scottish Government committed to protecting the SPA’s revenue budget in real terms for the duration of the current parliamentary session.


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17. We have reported overspends in our reports on recent annual audits of the SPA. The SPA is currently forecasting that it will achieve a balanced budget in 2020/21, before returning to overspends after that.

18. The Financial Memorandum that accompanied the Police and Fire Reform (Scotland) Bill noted that net savings for the police should total £1.1 billion by March 2026. In our December 2014 report, we noted that: “Based on extrapolation of the savings secured during 2012/13 and 2013/14, the SPA and Police Scotland are confident that the £1.1 billion savings identified in the Outline Business Case that accompanied the Police and Fire Reform (Scotland) Act 2012 will be made by 2025/26.” It also noted that there were additional cost pressures that would demand additional savings to be made.

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Reform

19. The process of integration remains ongoing within the SPA and Police Scotland, for example, it anticipates harmonising terms and conditions during 2019 and is working to integrate its multiple payroll systems.

20. In June 2016, the SPA and Police Scotland published Policing 2026. This sets out a vision for how Police Scotland will transform to respond to the changing risks facing society (for example, a larger number of more vulnerable people in society, cybercrime, terrorism). The vision is for a greatly enhanced role for information and communications technology within Police Scotland. Police Scotland is still using a wide range of ICT systems inherited from its predecessor organisations. The failure of the i6 programme and the need for investment in ICT represents a significant risk for the implementation of Policing 2026 and the realisation of the vision.

Conclusion

21. There have clearly been challenges over the past five years, in particular for the SPA and Police Scotland and we have reported on some of these. These have been a function of the implementation of Act, and in some cases, related to individuals in key roles. As, so often, issues associated with change have been about culture and behaviour rather than the details of organisational structures.

22. Reform of the fire and rescue service and the police force was one of the most significant pieces of public sector reform since devolution. Six years since the Parliament passed the Police and Fire Reform (Scotland) Act 2012, that reform process is very much ongoing and will continue to be ongoing for several years to come, if the SFRS and the SPA and Police Scotland are to realise the visions they have set out for themselves.
AUDIT SCOTLAND REPORTS ON THE SCOTTISH FIRE AND RESCUE SERVICE (SFRS) AND THE SCOTTISH POLICE AUTHORITY (SPA)


