1. Introduction and overview

1.1 HMICS is grateful for the opportunity to provide evidence to the Justice Committee in relation to the budget for police reform as set out in the Scottish Draft Budget 2013/14.

1.2 Whilst this submission will highlight a number of issues and challenges ahead, it is important to note from the outset that we have recently seen high level plans that provide increasing confidence in the ability of the Police Service of Scotland (PSoS) to meet the savings required in the early years.

2. Previous submissions and concerns

2.1 In our previous submissions to Justice\(^1\) and Finance\(^2\) committees during the passage of the Police and Fire Reform (Scotland) Bill, we highlighted some concerns regarding the figures produced in the Financial Memorandum that accompanied the Bill.

2.2 These concerns included that:

1) The costs and savings figures for police reform were based upon calculations within the Outline Business Case (OBC)\(^3\), which in turn were based on illustrations within the Sustainable Policing Project – Phase 2 report: Options for Reform March, 2011\(^4\).

These original figures were produced in March 2011 to illustrate potential differences in costs between different structures of policing to facilitate a decision between these structural options. They were not intended to be used as a prediction of actual future costs for each model or, indeed, the costs of change to create the new structure.

2) Nevertheless, and with little evidence of additional work being carried out to validate these cost projections, the figures now appeared to have been brought across into the current Comprehensive Spending Review (CSR) settlement for policing. That being the case, our original concerns remain.

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\(^1\) HMICS submission to Justice Committee call for evidence on the Police and Fire Reform (Scotland) Bill – February 2012.
\(^2\) HMICS submission to Finance Committee call for evidence on the Financial Memorandum of the Police and Fire Reform (Scotland) Bill – February 2012.
\(^3\) Outline Business Case – The Scottish Government, September 2011.
\(^4\) Sustainable Policing Project - Phase 2 Report: Options for Reform, March 2011
2.3 In particular, we noted that where savings were being assigned to changes through activities such as ‘process improvement’ as described in the Phase 2 report, it was not clear exactly what was going to be carried out differently and how this was going to reduce cost.

2.4 We concluded that, whilst it was appropriate that government should set out the policy (including the future overall structure) and the budget for policing, detailed plans that would demonstrate how policing in Scotland would adapt to these financial changes or what impact they would have on service delivery and performance had not been developed.

2.5 In essence, although significant work to develop those plans has been underway for sometime, the continuing absence of detail leaves our position largely unchanged today from that set out in February 2012.

3. Additional cost pressures

3.1 Some costs were not factored in to the OBC and these include those arising from pay reviews, inflation and staff pay increments.

3.2 Others, such as the costs for the Gartcosh campus, were calculated under the current force structures. This is important in that the original plans to offset costs against savings may have changed. For example, where the original assumption was that staff moving in to the facility at Gartcosh would free up accommodation (and potentially reduce costs) elsewhere, it is unclear whether this remains the case.

3.3 Should the Gartcosh project not free up accommodation, then the service will require to recognise this as an additional cost pressure to cater for within the overall allocated budget.

3.4 Further, in February 2012, we raised a concern in relation to the ICT cost projections as noted within the Financial Memorandum, where Treasury guidance on optimism bias had not been followed (ie it was calculated at 100% instead of the 200% recommended).

3.5 ICT will be a key enabler of change, modernising processes and, in turn, delivering economies and efficiencies in the use of staff. Yet it is apparent that PSoS will commence on 1 April 2013 with many of the original legacy systems in place and work to converge the systems not being as advanced as expected, at this stage. Whilst recognising the validity of a more considered approach and the development of a cohesive ICT strategy, there is a consequential effect on the release of staff costs that, in turn, underpin a significant proportion of early years savings.

3.6 In relation to this and other cost pressures, ultimately the SPA will have to decide how best to utilise the time limited investment funds available to it until the end of the 2014/15 financial year, as part of its overall financial strategy.
4. Police reform budget and investment strategy

4.1 As outlined above, police reform funding of some £60m in 2013/14 and £70m in 2014/15 is available within the larger PCG figure for those years. It is therefore key that the SPA quickly develop an investment strategy that makes best use of this funding for those years that it is available.

4.2 It was always clear that there would be considerable costs of change and these were set out in the Financial Memorandum accompanying the Bill. For example voluntary redundancy costs estimated at £80.8m\(^5\) were identified.

4.3 However it is not just the amount of such funds that is important but their phased use to ‘pump prime’ the necessary changes. In this regard it is difficult to say, at this stage, whether the phasing of funds and the time limits that apply, are sufficient to allow voluntary redundancy schemes to progression to fruition within the time period of the available funding.

4.4 Irrespective, with the funding for policing reducing over the CSR period, the ability of the SPA to continue ‘to invest to save’ in later years is unclear but wholly dependent on future efficiencies and savings.

5. The financial plan

5.1 ACPOS has very recently brought forward some high level options for cost reduction. These predominantly focus on changes brought about by:

- reduced duplication e.g. through the simplification of some functions that operate across the current force structures

- delayering – e.g the reduction in numbers of managers

5.2 Where the above relate to support staff roles, it has to be noted that these costs can only be reduced in line with current government policy on not utilising compulsory redundancy schemes and are subject to the earlier comments on timing.

5.3 There are further cost reduction options being offered which are more direct, in that, they relate simply to spending less on items such as overtime or supplies and services.

5.4 Overall, at this time, though there appear to be few current options that are based on the ‘process improvements’ articulated in the Phase 2 report.

5.5 Important work is under way to understand more fully the exact position in terms of properties, rights, liabilities and obligations transferring from existing structures to the Scottish Police Authority on 1 April 2013.

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\(^5\) Table 2.2, page 53, Financial Memorandum of the Police and Fire Reform (Scotland) Bill.
5.6 In the absence of absolute clarity relating to these issues, it must be recognised that emerging financial plans cannot be prescriptive and must leave room for adjustment to accommodate any anomalies that arise.

5.7 What is vitally clear is that if the PSoS is to delivery within allocated budget, it must achieve the full savings set out in the OBC and the associated Financial Memorandum, whilst accommodating a level of costs not catered for either in the OBC and which have arisen as a consequence of additionality or through growth in costs within policing as a whole. Whilst the totality of those costs must be catered for within set budgets, collectively, they present the PSoS with a significantly greater challenge that is represented by the savings figures set out in the OBC.

6. Transition arrangements

6.1 The above mentioned investment and financial plans are products of the reform programme which is now led by the Chair of the SPA. This is a significant task which brings with it considerable levels of risk.

6.2 In this regard, both Office of Government and Commerce (OGC) Gateway reviews and consultancy advice have been provided to the reform programme. It will be important to ensure that advice and recommendations from this work are appropriately built in to ongoing delivery of the programme.

6.3 Alongside this complex programme to create PSoS are a series of force transition plans. Together these have to balance the need to maintain a focus on service continuity and performance under existing structures, with the need to create the most favourable circumstances for PSoS to commence operation on 1 April 2013.

6.4 It is clearly important that the SPA and the Chief Constable of PSoS, discuss with existing Boards, Authorities and Chief Constables, how best to manage the migration from existing structures.

6.5 HMICS is working with all of the relevant agencies to identify, assess and monitor these transition risks.

6.6 All parties have a shared interest in providing the most effective policing in communities across Scotland not just this year but in future years. Existing Boards, Authorities and Chief Constables now have a unique opportunity to facilitate the future savings that PSoS has to make. An example of this would be working to maximise voluntary redundancy schemes within current force structures, drawing on available budget for the reform programme in the current financial year.

7. Conclusion and future role of scrutiny

7.1 It is still too early to make a settled judgement on the fuller costs and benefits of the reform programme, although it is likely that increased clarity will emerge towards the end of this calendar year.
7.2 Notwithstanding, the recent release of high level figures provides a growing level of confidence that the savings in the very early years of reform will be met.

7.3 There will be significant interest in how the Authority plans to deliver its role and on its emerging focus. This in turn will set the tone and context for external scrutiny. Whilst some early expectations of the SPA centred on a body which would major on governance and scrutiny, a more directive and managerial approach is likely to require far greater amounts of external scrutiny, including that from parliament.

7.4 The Justice Committee may, reasonably, take the view that it would wish to consider these issues again later this year as clarity emerges and HMICS would, as always, be keen to assist the committee, if this was considered to be helpful.

HMICS
18 October 2012