Justice Committee

Scottish Government’s Draft Budget 2013-14

Written submission from the Association of Chief Police Officers in Scotland

1. Introduction

1.1 This written evidence has been provided at the request of the Justice Committee to assist the Committee’s scrutiny of the Scottish Government’s draft budget 2013-14.

1.2 ACPOS note that the Justice Committee will focus its budget scrutiny this year on the specific areas of courts, the budget for police reform and financing the Commission on Women Offender’s findings. This response addresses the wider aspects of the police reform budget which provides for costs of reform but requires substantial savings to be made over the two year period 2013-14 and 2014-15.

2. Background

2.1 The underlying features of the 2013-14 budget settlement for police is the requirement to operate within what is being described as a “flat cash” settlement while achieving the savings quoted within the Outline Business Case for Police Reform. However, the reality is funding for policing will reduce by £12.9 million and inflation and other budget pressures will increase costs by £40.4 million by 2014-15, adding £53.3 million to the funding challenge facing the Service.

2.2 ACPOS is fully aware of the challenges facing the public sector in the continuing climate of financial austerity and recognises the efforts of the Scottish Government in establishing and maintaining a “flat cash” settlement throughout the spending review period.

2.3 In addition, ACPOS appreciates police funding cannot be immune from these funding pressures and therefore, in common with other public sector bodies, must realise cash efficiencies to remain within the settlement figure. ACPOS is fully committed to delivering the required savings but what sets police apart from these other public sector bodies is the requirement to make additional substantial cash savings under the banner of police reform and to do so within the restrictions of current government policies of maintaining police officer numbers at 17,234 and no compulsory redundancies.

2.4 In short, the Service is confident that it will operate within the challenges of the 2013-14 budget but that this will entail difficult choices and decisions.

2.5 The figures contained within the 2013-14 draft budget indicate that Scottish Government funding for police, including the SPSA, will decrease by £7.6 million in 2013-14 and by a further £5.3 million in 2014-15, making a total of £12.9 million less by 2014-15. ACPOS are of the view this represents a cash reduction in the funding of policing and should form part of the police reform savings targets of £88.2 million by 2014-15.
2.6 Against a “flat cash” budget settlement the impact of wage inflation from 2013-14 will result in additional budget pressures. Assuming wage inflation of 1% from September 2013 and a further 1% from September 2014, together with other contractual commitments, a further £40.4 million of budget pressures will be added by 2014-15.

2.7 The impact of the above is to increase the scale of the funding challenge significantly beyond the requirement to make savings of £41.8 million in the police budget in 2013-14 rising to £88.2 million in 2014-15 as quoted in the Outline Business Case for Police Reform.

2.7 The total cumulative funding challenge in 2014-15 is now estimated to be £141.0 million (11.9%).

3. The police reform budget

3.1 The net Police Reform budget is £25.5 million additional funding in 2013-14 and a net saving of £13.0 million in 2014-15 consisting of:

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<thead>
<tr>
<th></th>
<th>2013-14</th>
<th>2014-15</th>
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<tbody>
<tr>
<td>Police Reform Costs</td>
<td>67.2</td>
<td>75.2</td>
</tr>
<tr>
<td>Police Reform Savings</td>
<td>41.8</td>
<td>88.2</td>
</tr>
<tr>
<td>Net Costs/(Savings)</td>
<td>25.4</td>
<td>(13.0)</td>
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</tbody>
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3.2 The police reform savings must be achieved within current Scottish Government policies of maintaining at least 17,234 Police Officers and no compulsory redundancies for Police Staff. An analysis of the savings within the Outline Business Case indicates that by 2014-15, 6% of the savings will come from de-layering and rationalisation of police officer ranks, 37% from non-staff costs and the remaining 57% from savings in police staff pay costs, although it is acknowledged the actual make up of the savings will be a matter for the service and Scottish Police Authority to decide.

3.3 ACPOS has consistently raised concerns over the accuracy of some of the savings quoted within the Outline Business Case and the overall the challenges of realising the full savings within current government policies and the timescale indicated within the Outline Business Case. At an early stage ACPOS also highlighted the requirement to undertake a due diligence exercise to firm up on the savings targets. The fact that this exercise was not done before these savings were incorporated into the budget for policing means that the scale and pace of the savings remains untested thereby adding to the challenge of reducing costs within the timescales set.

3.4 The graphic overleaf illustrates the make up of current policing costs and highlights 69% of the police budget relates to police officer costs, while 17.3% relates to police staff costs giving a combined total of 86.3% of the budget accounted for by staff costs. Of the remaining 13.7% non-staff costs some elements are fixed...
in the short to medium term thereby restricting the ability of the service to make significant savings in these areas.

3.5 The above chart clearly illustrates the extent of the funding challenges with the bulk of the total budget savings having to be achieved from the 31% of the budget not represented by police officer costs, with the majority of these coming from savings in police staff pay costs.

3.6 The Police Reform budget makes some provision for redundancy costs but these are in the same years as the anticipated savings. This combined with a non-compulsory redundancy policy makes achieving full year savings from any reduction in the number of police staff posts problematic, particularly in the first year of the new service. This challenge is more difficult to meet given that up to 1 April 2013 police staff will remain employed by the current police authorities. The budget is rigid in terms of the years in which redundancy costs should be spent and savings achieved. ACPOS seeks a more flexible approach to funding for voluntary redundancies in order to match costs with the rate volunteers elect to leave the Service.

4. Scale of the funding challenge

4.1 The extent of the funding challenge over the next two financial years can be summarised as follows:
The above table illustrates how the already significant funding challenge posed by Police Reform has increased from £88.2 million by 2014-15 to £141.5 million through a combination of a reduction in the police settlement of £12.9 million and inflation and other cost pressures of £40.4 million.

4.3 Work is ongoing to establish where adjustments can be made to the current service delivery model to achieve maximum savings. In addition, ACPOS has carried out a budget savings exercise looking at each of the main headings to determine where savings could be made in the short term to allow the service delivery changes time to bed in. The exercise established potential savings in excess of those required under police reform but not the full savings highlighted in paragraph 4.1. This work continues and further savings options will be presented to the Scottish Police Authority for consideration.

5. Measures to assist with the funding challenge

5.1 In recognition of the substantial challenges facing the new service, forces and agencies are taking action now to reduce the cost base of policing. This includes adopting rigorous vacancy management processes to ensure only critical vacant posts are filled and even then on a temporary basis. In addition, forces and agencies are examining non-staff budget lines to identify efficiencies.

5.2 Actions being taken in the current year include:

- Non filling of vacant posts
- Seeking volunteers for redundancy/early retirement
- Reducing Police overtime costs
- Looking at ways to reduce other staff costs and allowances
- Adopting rigorous revenue monitoring techniques to reduce spend on property, supplies and services and transport

5.3 These actions are designed to ensure the cost base of policing at 1 April 2013 is significantly less than the budget for 2012-13 to assist with the substantial funding challenges facing the new service from next year.

5.4 As a consequence of these prudent and proactive measures, it is likely that forces will add to the level of general reserves held by Police Boards/Authorities. Agreement has been reached between the Scottish Government and COSLA to share police general reserve balances. At the time this agreement was reached, it was estimated these balances would amount to £36 million. The further actions
being pursued will increase this figure although it should be stressed not all of the savings will be recurring, some will be planned one-off savings.

5.5 ACPOS are of the view that any increase in this figure of £36 million will be as a direct consequence of proactive and determined measures to reduce the cost base of policing to assist in meeting the funding challenges that lie ahead. It is the strong view of ACPOS, therefore that any increase in the general reserve position above that already estimated (£36 million) should be used to assist the service meet the significant funding challenge it faces and ease the budget pressures particularly in Year 1 (2013-14). This would allow the service more opportunity to design sustainable savings into the service delivery model for policing. It would also allow a more orderly and dignified police staff reduction plan to be formulated which would enable staff to consider where they and their current role sits within the new service delivery model and make informed decision about their future.

5.6 The budget savings exercise carried out to identify potential savings in 2013-14 and 2014-15 has identified proposals in the following areas:

- Management De-layering
- Reducing Police Overtime
- Bringing forward a national Voluntary Redundancy/Early Retirement Scheme
- Seeking to achieve budget reductions ranging from 10% to 40% in the areas of property, supplies and services, transport etc through a combination of procurement techniques, reviewing and standardising specifications and monitoring spend to ensure only necessary expenditure is incurred
- Reviewing the size and make up of the fleet to identify cash savings
- Adopting asset management techniques to ensure best use is made of combined Police estate and other assets and identify opportunities to generate income from the sale of surplus assets.

6. Conclusion

6.1 ACPOS is fully aware of the challenges facing the public sector in the current financial climate and recognises the efforts of the Scottish Government to establish and maintain a “flat cash” settlement throughout the spending review period.

6.2 Operating within a “flat cash” settlement poses budget challenges for the service. It is estimated inflation and other budget pressures will amount to £40.4 million over the next two years.

6.3 An analysis of the 2013-14 draft budget indicates funding for police will reduce by £12.9 million by 2014-15.

6.4 The impact of the above pressures, when added to the Government’s budgeted savings from police reform of £88.2 million (cumulative) by 2014-15, increases the overall funding challenge to £141.5 million.
6.5 ACPOS is of the view the £12.9 million decrease in funding represents a cash reduction in the cost of policing and therefore this amount should be netted off against the £88.2 million Police Reform savings target, not added to this target.

6.6 In addition, ACPOS projects there will be an increase in general reserve balances at the end of 2012-13 due to proactive and determined attempts to reduce the cost base of the service going into police reform. It is the view of ACPOS that any reserve balances over and above the sum already agreed by Scottish Government and COSLA should be used to strategically manage the budget for 2013-14 and beyond to enhance the prospects of delivering Police Reform savings particularly in the first year to allow the service delivery changes time to bed in.

ACPOS
19 October 2012