



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Public Audit and Post-legislative Scrutiny Committee

**Thursday 14 June 2018**

**Session 5**



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Pàrlamaid na h-Alba

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**PUBLIC AUDIT AND POST-LEGISLATIVE SCRUTINY COMMITTEE**

**17<sup>th</sup> Meeting 2018, Session 5**

**CONVENER**

Jenny Marra (North East Scotland) (Lab)

**DEPUTY CONVENER**

\*Liam Kerr (North East Scotland) (Con)

**COMMITTEE MEMBERS**

\*Colin Beattie (Midlothian North and Musselburgh) (SNP)

\*Bill Bowman (North East Scotland) (Con)

\*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

\*Iain Gray (East Lothian) (Lab)

\*Alex Neil (Airdrie and Shotts) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Caroline Gardner (Auditor General for Scotland)

Mark Roberts (Audit Scotland)

Kathrine Sibbald (Audit Scotland)

David Stewart (Highlands and Islands) (Lab) (Committee Substitute)

**CLERK TO THE COMMITTEE**

Lucy Scharbert

**LOCATION**

The Adam Smith Room (CR5)



# Scottish Parliament

## Public Audit and Post-legislative Scrutiny Committee

Thursday 14 June 2018

*[The Deputy Convener opened the meeting at 10:00]*

### Interests

**The Deputy Convener (Liam Kerr):** Good morning and welcome to the 17th meeting in 2018 of the Public Audit and Post-legislative Scrutiny Committee. I ask everyone to switch off or put to silent mode their electronic devices, so that they do not affect the committee's work.

We have apologies from Jenny Marra, our convener. I welcome David Stewart, who is substituting for Jenny. Under agenda item 1, I ask him to declare any relevant interests.

**David Stewart (Highlands and Islands) (Lab):** I have no relevant interest to declare.

### Decision on Taking Business in Private

10:00

**The Deputy Convener:** Agenda item 2 is consideration of whether to take in private items 5 and 6. Do members agree to take those items in private?

**Members** *indicated agreement.*

## "Scottish Fire and Rescue Service: An update"

10:00

**The Deputy Convener:** Agenda item 3 is the Auditor General for Scotland's report, "Scottish Fire and Rescue Service: An update". I welcome the witnesses: Caroline Gardner, Auditor General for Scotland; and from Audit Scotland Mark Roberts, senior manager, and Kathrine Sibbald, audit manager.

I invite the Auditor General to make a short opening statement.

**Caroline Gardner (Auditor General for Scotland):** Thank you. Today's report is a follow-up to work that we published in May 2015. We have looked again at the progress that the Scottish Fire and Rescue Service has made since its establishment in April 2013. In our previous report, we commented positively on how the merger of the eight former regional fire and rescue services had been managed. In this report, we examine the progress that has been made since then in integrating the service into a genuinely national organisation, and in transforming the service to respond to the changing risks facing people across Scotland.

Overall, we have found that progress has been steady but slow. The service has taken a cautious approach to transformation over the past five years, seeking to secure public, political, staff and union support for its vision. That has taken time. The main union for whole-time firefighters—the Fire Brigades Union—operates and negotiates at a United Kingdom level, while fire and rescue services are devolved matters. In addition, finance has been a limiting factor. It was only at the end of last year that the Scottish Fire and Rescue Service considered that it was in a financial position to move ahead with its plans for transformation, given the additional funding from the Scottish Government as part of the draft 2018-19 budget and the Treasury's decision in November 2017 to end the Fire and Rescue Service's VAT liability.

Other challenges remain. First, the retained duty system, which the Fire and Rescue Service operates in many parts of Scotland, is under pressure, as it is in many other countries. Secondly, the service inherited a significant and, we think, insurmountable backlog of £389 million in the capital investment required to bring its estate, fleet and equipment up to acceptable standards. To put that in context, the service's capital budget for 2018-19 is £32.5 million.

Members know that I place considerable importance on public bodies understanding their

financial sustainability and developing long-term financial strategies. The Scottish Fire and Rescue Service responded positively to that recommendation in our May 2015 report, and the work that the service has done since then has placed it in a much stronger position to move ahead with its strategy and transformation plans.

As always, the team and I are happy to answer the committee's questions.

**The Deputy Convener:** I will start off. Key message 2 in the report says:

"The board continues to work well, with real strengths in the quality of discussion and scrutiny and challenge of management."

That contrasts with what has been said in a number of the committee's inquiries over the past few years. We have looked at governance failures in other audited bodies that, irrespective of the body, have had significant issues. It is refreshing to see that positive message about the SFRS board. What makes that board different from other boards? What qualities does it have?

**Caroline Gardner:** I will ask Mark Roberts to talk you through the specific features of the board that we consider have led to our positive conclusion on its effectiveness.

It is probably worth saying that many of the issues that come before the committee do so because something has gone wrong. The examples that the committee sees are therefore not necessarily representative of the way that boards operate across the public sector.

I absolutely recognise the importance that the committee places on good board working, so I ask Mark Roberts to give members what insights he can from the work that the team has done.

**Mark Roberts (Audit Scotland):** In our previous report back in May 2015, we said that the board was starting to perform well. We have seen a continuation of that process ever since. The board's membership has had a relatively high degree of stability, which has helped, I think, and there is a real culture in the board of self-reflection and self-evaluation to make things work well. That is very positive.

In the early stages of the Scottish Fire and Rescue Service, there was a big shift in the move from the local government environment into the central Government environment, and I think that the management of the organisation took a little time to adapt to the new level and intensity of scrutiny. However, the relationship has become very positive. It is not too close, but the interests of the service are very much shared between the board and the senior management, and there is real and genuine challenge, discussion and debate at the strategic level, which is appropriate.

As the Auditor General has said, we think quite highly of how the organisation's board works.

**The Deputy Convener:** Very good. Thank you.

**Colin Beattie (Midlothian North and Musselburgh) (SNP):** For once, the report waxes quite lyrical. It is very nice to see a positive response. However, one issue that pops out is the maintenance backlog. Paragraph 53 of the report says that that is the result of a legacy from the previous eight fire services. How much of that backlog is a legacy and how much of it has arisen since 2013?

**Caroline Gardner:** It is very difficult to break that down in that way. We know from the work that we have done on fire and rescue services over a number of years—the work back in 2015 and the work on the eight former services—that there was already a backlog of required capital, and there was the risk that, in the run-up to the merger, investing in assets for the long term was less of a priority for local authorities that funded the former rescue services than would otherwise have been the case. We think that the backlog built up further then. However, it is not possible to draw a line and say, "This much is what was inherited and this is what's required now", not least because the needs of fire and rescue services across Scotland have changed across that period. That is a big part of why that level of investment is needed. It is needed to ensure that buildings are in the right place and equipped for new ways of delivering fire and rescue services, and that the vehicles and other equipment are fit for new ways of working.

**Colin Beattie:** How much of the headline figure is critical? The national health service, for example, has a comprehensive system for estimating which buildings are in a critical state and what maintenance is critical. In a way, that is a traffic-light system. Is there anything similar for the fire service?

**Caroline Gardner:** The team can talk members through the way in which the estimates built up. However, it is important to note that we are not saying that the backlog presents immediate risks to the service's ability to provide its services; it is more a matter of thinking about what is required for the future and providing good, fit-for-purpose working conditions for firefighters and other staff, which is obviously very important.

**Kathrine Sibbald (Audit Scotland):** During the audit, we looked at information on the structure of the capital backlog, but I do not have the detail of that to give members a breakdown. However, we can certainly provide it.

**Colin Beattie:** Would that breakdown provide us with priorities?

**Kathrine Sibbald:** It categorises the different capital backlog issues.

**Colin Beattie:** So it goes from critical to—

**Kathrine Sibbald:** It is more a breakdown by property and fleet and the arrangements within them, rather than a prioritisation of specific things.

**Colin Beattie:** So there is no way of knowing what is critical. We are talking about £389 million. Is 10 or 25 per cent of that amount critical? That is the real issue.

**Mark Roberts:** That is probably a more detailed question for the Fire and Rescue Service. It has in place a medium-term asset management strategy, which sets out where it wants to prioritise its efforts. We recommend that that be updated and complemented by a longer-term asset management plan, which would take into account the degree of prioritisation that is needed.

**Colin Beattie:** Auditor General, I think that you said that current capital expenditure is £32.5 million.

**Caroline Gardner:** The budget for the current year is, I think, £32.5 million.

**Colin Beattie:** You have stated that

“an annual investment of £37.8 million over the next ten years”

would ensure that the assets did not deteriorate, so the budget is just a little bit below that.

**Caroline Gardner:** Yes, it is a bit below the level for simply ensuring that the assets do not deteriorate. However, for other reasons to do with the changing risks in Scotland and the challenges of recruiting and retaining retained and volunteer firefighters, the service needs to go beyond simply stopping the deterioration and to move into investing to make the assets fit for the future, or it will not be able to ensure that services continue to operate safely and effectively in the longer term.

**Colin Beattie:** In paragraph 55, you expand on that. You talk of

“three years”

of investment

“at £170 million and seven years at £42 million”.

How is that calculated?

**Caroline Gardner:** Those figures come from the financial modelling that the Scottish Fire and Rescue Service has already done, which the audit team has tested for reasonableness, and are linked to the vision for transforming services both to meet Scotland’s changing needs and to meet the challenges that the service has in recruiting and retaining the number of firefighters that it needs throughout the country.

**Colin Beattie:** In the same paragraph, you say:

“It is unlikely that funding will be available to achieve either of”

the options that you talk about. Is that simply because of austerity?

**Caroline Gardner:** We are looking at the long-term trends that we have seen so far for funding the Fire and Rescue Service and putting them in the context of the trend figures for the likelihood of change that are given in the Scottish Government’s fiscal outlook, which was published a week or so ago.

We say in the report that the Fire and Rescue Service needs not only to continue working with the Government but to progress its plans for transforming services more widely. That is likely to require reconsidering the use to which it puts its buildings, the scope for sharing with other public services and changing the way that services are delivered in some parts of Scotland. Clearly, that will involve some difficult decisions, which is why the Fire and Rescue Service has been keen to engage with its stakeholders.

**Colin Beattie:** Has the Scottish Government accepted the report?

**Caroline Gardner:** Absolutely. As the committee knows, we always clear our reports for factual accuracy. That is not something that we have changed.

Mark Roberts looks as though he wants to add a little bit of detail to what I am saying to keep matters straight.

**Mark Roberts:** I was merely going to endorse what the Auditor General said. The Scottish Government cleared with us the number that you asked about, Mr Beattie.

**Colin Beattie:** To be absolutely clear, the £389 million is required capital expenditure.

**Caroline Gardner:** That is right. It is capital investment.

**Colin Beattie:** No part of it could come from revenue, then. Is that right? I ask because we do not know the components of that figure.

**Caroline Gardner:** Absolutely. Under the Scottish financial management rules, it is possible for revenue budgets to be used to invest in capital where that is available. However, the overall point is that £390 million is a large amount of money when seen against the long-term trend for capital budgets or the overall revenue budget for the service, which is currently, I think, about £265 million a year. Therefore, the backlog is significant. The only way that it can be overcome is by taking the long-term view and thinking about how the service can be transformed to meet the needs of

the population and to ensure that the capital investment is targeted at the places where it will make the most difference.

**Colin Beattie:** I am looking at the breakdown of incidents in exhibit 1 on page 13 of your report. The total for false alarms is 56.6 per cent. Is there any pattern to false alarms? Is there any core reason for them? Do they come from public buildings or private residences?

**Caroline Gardner:** It is a startling figure overall. The Fire and Rescue Service is trying to understand the pattern better so that it can work with the people who account for most of the false alarms to reduce the total. Mark Roberts can tell you a bit more about that.

**Mark Roberts:** More than two thirds of the false alarms come from non-domestic buildings, such as schools, hospitals and care homes. The fire service now has a commitment to try to reduce the number by 15 per cent over the next three years, and it has a strategy for how to do that. It will be interesting to monitor what progress is made on reducing that figure against the target.

10:15

**Colin Beattie:** Paragraph 30 comments on an increase in deliberate fires.

**Kathrine Sibbald:** There are two aspects to that. There are the lower-grade deliberate secondary fires, which involve things such as waste bins, but there is also an increasing level of deliberate primary fires, which the statistics show particularly involve vehicle fires.

**Colin Beattie:** I suppose that the fire service cannot do a great deal to reduce that. I presume that it is working with its partners in the police and so on to mitigate that.

**Kathrine Sibbald:** Yes. The focus of a lot of the preventative work is on working with partners, such as other blue-light services or councils and other community planning partners, as well as communities on prevention work to tackle issues such as deliberate fires.

**Caroline Gardner:** In paragraph 77, we mention one of the preventative programmes that the service is working on. It has a young firefighters programme, through which it seeks to engage with young people, and particularly young men, to get them involved in the fire service, with the intention and expectation that that may reduce the likelihood of deliberate fires being set. That is clearly a good approach to test out. We recommend that the service should do more evaluation of its preventative work, but it is active in trying to reduce the numbers for very good reasons.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** Paragraph 48 states:

"The SFRS has confirmed that, with the change to its VAT liability, its 2018/19 budget is enough to allow progress with implementing transformation."

How does that square with the comment that the backlog problem is "insurmountable"?

**Caroline Gardner:** That takes us back to the running costs of the service and to exhibit 4, which updates the committee on the projected funding gap for the service over the next 10 years or so. The exhibit shows the various projections that the service has made for its funding and costs over that period as well as our assessment of the funding gap. Although there is quite a wide spread between the lines, the important point about that chart is that the funding gap is very small in absolute terms compared to the budget for the organisation. Indeed, in a couple of the scenarios, we are actually looking at a small surplus by 2026-27 and, even in the worst-case scenario, the maximum funding gap would be £80 million against a budget of about £265 million. The revenue costs are now under control and the service has confirmed that it thinks that it can move ahead with the wider transformation that it wants to make. However, that is dependent on the ability to invest, particularly in the property, vehicles and equipment that it needs to be able to deliver those new ways of working.

**Willie Coffey:** Colin Beattie mentioned the £32.5 million capital allocation, which is supplemented by another £4 million in the return of VAT, which comes to £36.5 million. Paragraph 55 says that the service needs about £37.8 million, which is hardly a huge enough gap to justify calling it "insurmountable".

**Caroline Gardner:** The annual investment of £37.8 million is simply to maintain the existing plant, property and vehicles in a safe condition. It would not allow the fire service to make the other changes that would make its revenue costs sustainable and, much more important, meet the needs of the people of Scotland across the piece. My judgment is that the backlog is likely to be insurmountable without those sorts of changes. As Mark Roberts and I have said, that has not been challenged by the Government or by the service. A very significant investment is required.

**Willie Coffey:** What analysis was done in arriving at the top-line figure of £389 million? Colin Beattie asked about a breakdown. Is your assessment based on a breakdown or just on that top-line figure?

**Mark Roberts:** We drew on the top-line figure, comparing it against the trends in capital funding that we had seen and the likely future outlook on capital funding, as the Auditor General said, and

knowing the scale of the change that the fire service was envisaging for how it operated. The simple answer to your question is that we took the top-line figure.

As I mentioned, the medium-term asset management strategy provides more detail from the service on exactly where that would be targeted in the medium term, which is the next three to five years.

**Willie Coffey:** But we do not know whether there is an assessment that breaks down the elements into essential or desirable, as Colin Beattie alluded to.

**Mark Roberts:** I think that the fire service could provide you with more detail on that, as I said in my response to Mr Beattie.

**Willie Coffey:** But surely you must have that if you are saying that the whole thing is “insurmountable”.

**Mark Roberts:** We have a copy of the asset management strategy, which was one of the pieces of evidence that we looked at. We could provide the detail of what the scale of the investment would be for the various elements—or the fire service might be able to provide it.

**Caroline Gardner:** It is also fair to say that the £37.8 million figure is what is required simply to deal with the critical maintenance requirements that are likely to come up over the next 10 years. The bigger figure is what is required to transform services to make the SFRS financially sustainable in the longer term and to meet the needs of people around Scotland. The team tested out those figures in the ways that we have described, and those are the parameters within which investment is required.

**Willie Coffey:** We probably want the details of the board report that breaks down the figure to give clarity to members of the committee.

**The Deputy Convener:** Before we leave this area of questioning, it would be useful if we could make the situation real for the people of Scotland. We have heard quite a bit about the nearly £400 million maintenance backlog, but what does that mean? Does it mean fire appliances breaking down, or not being able to put fires out?

**Caroline Gardner:** It is important for us to be clear that the backlog does not mean that, at the moment. The fire service rightly takes a very structured approach to maintaining its most important equipment and vehicles, so that people are safe. Things go wrong from time to time—they are bound to in any service—but we are not seeing wide-scale problems because of lack of maintenance. Those risks will increase, however, if the lower level of capital investment is not made over the next 10 years.

However, more important is that because of the changing risk to the population—due to the way that we live our lives, the ageing population, the increasing number of severe weather events and the risk of terrorism—it will be harder to respond to those risks. That difficulty will be increased further because we know already that the system of relying on retained firefighters and volunteers, particularly in remote and rural parts of Scotland, is not sustainable—again, because of changes in how people live their lives. Ensuring that the service has the right firefighters in place at the right time, and making sure that they have the equipment and vehicles that they need to work effectively requires a very significant amount of capital backlog, and the best estimate is the £389 million that we put in the report. Kathrine Sibbald wants to add to that.

**Kathrine Sibbald:** I will just highlight that Her Majesty's fire service inspectorate in Scotland is currently undertaking an assessment of the fleet, and will report later in the year.

**The Deputy Convener:** We will come back to retained firefighters later in the meeting.

What you say sounds concerning. To pick up on a point that Willie Coffey raised, I note that the context is that Scottish Government funding has decreased by about 12 per cent in the past five years, and somewhere in the report you project an £80 million shortfall by 2026. However, the context is also, as we have just been told, that there needs to be a huge investment—you said, I think, that there needs to be a “transformation”. I am struggling to square, or marry up, those two things.

**Caroline Gardner:** I will try to unpick them slightly for you. The reform of the Scottish Fire and Rescue Service pre-2013 was based on a need to make savings in order to make the service financially sustainable in the future. The savings that the Scottish Fire and Rescue Service has achieved so far are very much in line with the estimated savings, and we think that the savings are on track to continue over the 10 years after the merger.

I think that the £80 million that the deputy convener mentioned is the service's own worst-case-scenario forecast of the funding gap over the next 10 years. Its best-case scenario is that it will run a relatively small surplus. We think that the actual figure is likely to be somewhere in the middle.

Beyond that, the service's ability to become financially sustainable will depend on there being investment of significant amounts of money in the buildings that it works out of, in the vehicles that it uses and in the other specialist equipment. The estimate of that cost is £389 million, which is a

significant sum. The committee knows that I am careful in the language that I use in my reports: I would not use the word “insurmountable” lightly. It is an important conversation for the service to continue to have with Government; it is also important that it continues to develop its own asset plans and investment strategy, as we recommend in the report.

**The Deputy Convener:** The report identifies barriers to achieving that transformation. I presume that one of those barriers is whether the service can get £389 million out of Government. You can confirm or deny whether that is the case. What are the barriers to transformation being achieved?

**Caroline Gardner:** We summarise the barriers in the report. Paragraph 38 sets out the things that are difficult, over and above the need to deal with the investment backlog that we have identified. Mark Roberts can talk the committee through those factors.

**Mark Roberts:** As the Auditor General said in her opening comments, the process that the fire service has gone through has been a cautious one. It has tried to build a coalition of the willing—it has been trying to build a consensus among staff, the public, unions, politicians and so on about the direction of travel for the organisation. Here we are in 2018, five years after the merger, and the service is now in a place where it wants to start moving ahead with its transformation agenda. That cautious and measured approach has meant that progress has been slightly slower than people might have thought back in 2013 that it would be.

The second element is the nature of the environment in which the service finds itself with regard to the fact that the Fire Brigades Union operates and negotiates at UK level. As the Scottish Fire and Rescue Service has been trying to move on to a slightly different agenda, and at a slightly different pace, from services in other parts of the UK, it has had to negotiate with the FBU, which operates UK wide, and so clearly has UK-wide interests and positions to take.

The service has also been cautious because—as the Auditor General said—it wanted to ensure, with regard to financing, that it was confident that it could move ahead. Only at the end of last year was it sufficiently confident that it was in that position, through additional funding being provided by the Scottish Government in the 2018-19 budget and through the decision on VAT liability.

That has been underpinned by what we see as good long-term financial planning. Again, three years ago, we recommended that the service produce a long-term financial strategy. It seized that recommendation and very much took it to heart. It made quick progress on that and engaged

with Audit Scotland during the process. That has put it in a positive position with regard to understanding its future cost pressures, which has enabled it to be confident about where it is going.

**The Deputy Convener:** The report suggests that there has been a loss of continuity of leadership across many of the integration and transformation projects. What is the service doing to address that leadership issue and to ensure a degree of continuity?

10:30

**Caroline Gardner:** We talk about the workforce challenges later in the report, on page 21. It is absolutely clear that staff turnover in general, and the retirement profiles of staff in particular, are problems. We see in exhibit 5 the number of staff throughout the service who are likely to retire because of their age.

There is a particular bottleneck around the experienced senior officers who are required not just to run the service but to lead the complicated transformation projects that we have touched on this morning. Part of that is due to the current arrangements for pensions, whereby firefighters who joined before 2006 are able to retire after 30 years' service, at the age of 50, on a full pension. That will change over time. For firefighters who joined after 2006, we are moving to a normal retirement age of 60, and 40 years' service. However, we are currently managing through that transition.

Secondly, as the committee has noted before, the changes to taxation of pensions mean that incentives to carry on working have been much reduced for people who have built up significant pension pots. That change keeps on shifting year on year, which I think is encouraging some people to take their pensions while they can, and move on.

The Fire and Rescue Service has done some good work on workforce planning, which we set out on page 20 of the report, but it is finding it hard to counteract the effects of the pension and tax changes that are currently working through. It is doing lots of work not just to understand the age make-up of its workforce and when people are likely to move on, but on how it can develop and train up-and-coming firefighters to take on those roles more quickly and, importantly, to increase the diversity of its workforce. At the moment, the service's uniformed staff are something like 94 per cent male. Being able to attract a wider range of people from the community—women and people from minority groups—would also help to deal with the pressures that we are talking about. However, at the moment, there is a short-term challenge with which it will struggle to deal.

**David Stewart:** I will go back to the UK Government issue. The lifetime allowance has been a problem across occupations, including in the health service. I think that the current limit is just over £1 million. That has caused an acceleration of very senior staff leaving at much earlier ages. The issue really is outwith the control of the Fire and Rescue Service, so it is difficult to see an easy solution in respect of very senior staff. Do you have any general observations across your remit about the lifetime allowance difficulties?

**Caroline Gardner:** I can only agree with you. In policing, fire and rescue and the health service, we have seen the effects of the reduction in the lifetime allowance, and of the introduction of an annual allowance for the amount that can be contributed to a pension scheme tax free each year. The issue is not simply that those limits have been introduced by the UK Government; it is that the lack of predictability about them and the fact that they can change year on year without much foresight of how they are likely to affect individuals is causing some people who have the option to do so to take their pensions and limit risk in that way.

The matter is reserved, and I do not have a role in relation to the UK Government, but we are looking closely at the effects of the retirement decisions of the people in the uniformed services and in the NHS, where we know it is a significant issue.

**David Stewart:** The limit was a lot higher even in recent times. If my memory serves me right, it was about £1.5 million even just a few years ago, so there has been a dramatic reduction. That will perhaps seem to be a large amount of money to people who are watching the broadcast of the meeting, but £1 million over a lifetime is not actually a huge pension pot for many professional people in very senior posts.

**Caroline Gardner:** I agree. If we look at the remuneration reports for the most senior people in a range of public bodies, we see that they are affected by the changes. Simply because of the lengths of career that people in public service have, people do not need to be terribly well paid to be affected by the current cap. The problem relates also to the annual allowance, which I think is now £40,000 a year. People who have large pension pots—including contributions from the individual and the employer, and the growth in what they already have—can tip over the limit quite easily.

Of course, we all acknowledge that those are large sums of money compared with the average earnings of people across Scotland, which is probably why the matter has not received much attention, so far. However, Audit Scotland is looking at it; it is one of the challenges that public services will have to plan for in ensuring that they

have the people whom they need in order that they can continue to provide high-quality public services. It is one more area that the division of responsibility between the UK Government and the Scottish Government makes difficult to manage.

**David Stewart:** I have some quick questions on workforce management, but I can ask them later.

**The Deputy Convener:** Of course.

**Willie Coffey:** The deputy convener mentioned exhibit 4 on the long-term financial projections and picked out the most negative figure in the chart, which was a projected funding gap of £77 million, in 2026-27. I want to clarify to the Auditor General that the most positive assessment in the chart for the same year is a surplus of £44 million, so we live somewhere between the two figures. According to the chart, Audit Scotland's projection for 2026-27 is that there will be a £400,000 funding gap, which is nothing like a £77 million shortfall; we would almost be breaking even.

**Caroline Gardner:** That was exactly the point that I was making: there is a wide range in the projections. Even at the extremes, there is a relatively small gap compared with a £265 million annual budget. Our assessment is very much in the middle of that range.

**Iain Gray (East Lothian) (Lab):** The report is generally very positive, as colleagues have said. However, in her opening remarks the Auditor General identified two areas of concern—the capital requirement, which we have explored a bit, and the problems around retained firefighters.

When you talked about the inherited capital shortfall, you said that you are always careful in your use of language, which is true. However, on retained firefighters, your report is quite strong in its language. It says that

“the current RDS model in Scotland is no longer fit for purpose.”

The figures that you give are certainly worrying. The availability of retained duty system crews, overall, is at 82 per cent and, during weekdays, overall availability has been as low as 67 per cent. The report points out that

“Four out of five of Scotland's ... fire stations rely wholly, or in part, on RDS”

firefighters, so there is a significant problem. The report also points out that 20 retained firefighters or volunteers leave the service every month, so the problem appears to be getting worse rapidly. How close are we to jeopardising the capacity of the Scottish Fire and Rescue Service to deliver what we want it to deliver?

**Caroline Gardner:** In the report, we say that the current model, with its reliance on retained

firefighters and volunteers, is unsustainable in the longer term. That issue does not affect only Scotland; it is a problem internationally. It relates to the fact that we have an ageing population, so fewer people are of an age and fitness to want or be able to be retained firefighters, and to the fact that people who live in remote and rural communities often have to travel to their main jobs and so are not available at all, or are available for less time, to act as retained firefighters. That leads to the sort of availability patterns that we have set out in our report.

The Scottish Fire and Rescue Service recognises that issue, which is one of the things that underpins its vision for how it wants to transform the service for the future. Mark Roberts might be able to say a bit more about the timescale and what the service is doing to make that transformation happen.

**Mark Roberts:** As the Auditor General said, Scotland is not alone in having that problem. The service is taking active steps to look globally at what other countries have done to respond to the situation. The message that has come to us very clearly is that no one has cracked the problem; there is no simple solution.

As part of its long-term transformation agenda, the service is revisiting and rethinking how it deploys whole-time firefighters and retained firefighters. It is considering a model that includes in single crews more of a mix of whole-time firefighters and retained-duty firefighters. That could apply in rural and urban areas. The service is trying to work out how that model can best be matched against contemporary risks relating to fire and wider community safety, into which the service is trying to expand its role. That process is on-going and is integral to the changing shape and role of the organisation for the future.

To go back to the conversation about capital, I point out that that also fits in with the question about the nature of the fleet that the fire service will need in the future. Will it need smaller and more agile vehicles? It has been trialling that in some parts of the country. Obviously the service will in many cases still need traditional appliances, but are there other options for the how it crews them? Smaller vehicles might mean smaller crew numbers that are still appropriate to the level of risk that they face. As the Auditor General has said, responding to the retained duty firefighter situation, and feeding that into shaping the organisation's role and how it will operate in the future is very much part and parcel of the transformation agenda.

**Iain Gray:** It would seem that we have a problem that is not unique to Scotland and one that no one has an answer to, which is worrying. I am trying to get at just how critical a problem it is.

Four out of five of our 356 fire stations rely, at least in part, on retained firefighters but I assume that some of those are smaller and less busy. Do we have any sense of how much of the activity and work of the fire service depends on RDS?

**Caroline Gardner:** We know that the problem is most acute in the Highlands and Islands and remote and rural parts of Scotland, as you would expect. Where the population is much more thinly spread, fires are likely to happen less regularly than they do in an urban area such as Edinburgh. Nonetheless, when a fire happens, you still need a strong emergency response.

Those areas are also affected more by the availability of volunteer and retained firefighters. The remote parts of Scotland, particularly the Highlands and Islands, are the most affected. Those are the areas in which it is least clear what the longer-term response should be, which is why the Fire and Rescue Service is making sure that it understands where the challenges are and where the fire stations are that are finding it most difficult to get the staff they need when they need them. It will then have to look at the options for responding to that.

Mark Roberts has talked about the trials with rapid response vehicles and other types of equipment that can be safely operated with fewer firefighters. The Fire and Rescue Service also chairs the national strategic planning group that is pulling together the other emergency services to see how they can pool their resources to operate more effectively. Transformation on that scale will be needed, and not just for reasons of finance but more because the risks and our ability to respond to them are changing because of demographic change and other things that we cannot control, such as severe weather and terrorist threats.

**Iain Gray:** It sounds as though we are just at the beginning of trying to find a way through this problem. Is there a place in Audit Scotland's programme for you to return to the issue to see what progress has been made?

**Caroline Gardner:** We will monitor the Fire and Rescue Service's response to the recommendations in this report through our annual audit work. I am happy to bring an update to the committee when I think that it would be useful, either because of good progress or because the problems are accelerating.

**Iain Gray:** Thanks.

**Alex Neil (Airdrie and Shotts) (SNP):** Before I come to my main question, I want to go back to the lifetime allowance on the pension. When I was the Cabinet Secretary for Health and Wellbeing, that became a major issue. You are looking across the public sector at the impact of the lifetime allowance on early retirement or earlier retirement.

To put that in perspective, the £40,000 a year maximum allowance means that anyone who is able to put £40,000 in would work for only 25 years before they hit the lifetime allowance cap. It used to be £1.8 million, but George Osborne gradually reduced it to £1 million—just one of his mistakes.

My view was that, in the health service, that did not just affect retirement. When it was reduced to £1.25 million, in Glasgow alone we suffered a 40 per cent reduction in the availability of doctors for out-of-hours services. As well as looking at the impact on earlier retirement, are you looking at the impact on, for example, the fire service disincentivising people to do additional work? It does that in the health service. It is a big issue in public services. There are a lot of vacancies at the top level.

**Caroline Gardner:** You are absolutely right. It does not just affect people's decisions about retirement; it also affects their broader decisions about their working lives, such as whether to reduce their working hours—if that is an option—or, for people who have retired, whether to come back to act as locum doctors or provide out-of-hours services.

10:45

We are not doing audit work directly on the impact of changes to the taxation of pension, but we are looking more generally at the impact across the workforce of some of the bigger forces, such as changes to retirement age, changes to pension taxation, public sector pay policy and demographic change. There is a range of things that we know are making it harder for many reasons not just to retain the people who are needed now to manage public services but to ensure the pipeline of people coming through for the future.

I know that you have expressed an interest in that issue for a long time, Mr Neil, and we would be happy to talk to you about it. We are currently scoping out what the questions are and the information that we would need in order to answer them.

**Alex Neil:** Is it your intention to report on that at some stage?

**Caroline Gardner:** It is more likely that we will produce a briefing. Many of the issues are matters of policy, such as UK Government policy on pension taxation or Scottish Government pay policy. There is a risk that, when you bring those all together, there are unintended consequences for our ability to have people at the right level providing vital public services. A briefing on that might be useful to Parliament.

**Alex Neil:** That would be extremely helpful. Once we get that briefing, we should ask the Scottish Government to raise the issue with the Treasury in the run-up to the November budget. It must be having a detrimental impact—not just in Scotland but across the UK—on the availability of people for the senior positions that are critical to the successful running of public services.

My main question is on the savings of about £300 million. Can you give us more details on where those savings will be made, why the figure is £300 million, what the chances are of that happening and what the implications are?

**Caroline Gardner:** We can. Do you have a paragraph reference in front of you, Mr Neil?

**Alex Neil:** I do not have a copy of the report in front of me.

**Caroline Gardner:** We will find it. It is in paragraph 46. We note in the report that the financial memorandum to the bill that established the Scottish Fire and Rescue Service, suggested that reform could generate £328 million of savings by 2027-28—a long period. We note that the Fire and Rescue Service is on track to deliver that. Mark Roberts can give more detail on how that is being done.

**Mark Roberts:** Many of those savings were driven early on by the bringing together of the eight services. Some of the efficiencies that were generated during that process recur over the next few years up to 2026-27. The information that we have had from the Fire and Rescue Service is that it is confident that it is on track to deliver the service. The attention has now shifted towards what investment is needed in the future to realise the on-going transformation.

In the report, we say that the service has made substantial progress on some integration activities that it has been carrying out over the past few years. For example, it has rationalised the control centres from eight to three. That was part saving and part improved service provision in the longer term. There was standardisation of breathing apparatus for firefighters. Most recently, the service has moved to a standardised set of terms and conditions for uniformed firefighters, which was the last element of the integration part of the reform process.

All those things, to a greater or lesser extent, have contributed to the £328 savings figure that was projected when the bill was being considered by the Parliament. Most of that happened early on through the integration process.

**Alex Neil:** When the fire service says that it is making progress and is on track with its budget in relation to savings, have you double-checked that that is the case?

**Mark Roberts:** We were very content with the information that the service gave us on that.

**Alex Neil:** In the period that remains, how much of the £328 million savings are still to be made? How much is outstanding?

**Mark Roberts:** You are challenging my mental arithmetic. Rather than give the committee an inaccurate figure, can I get back to you on that?

**Alex Neil:** Yes. Will you also tell us how most of those savings will be made? Is there a reduction in recurring expenditure? Are there reductions in manpower? Are the legacy inefficiencies still being dealt with? Is it about getting those out of the system? A broad overview of the situation would be helpful.

**Mark Roberts:** First of all, the majority of the service's budget is for staffing. In the early years of the service's history, there were staff reductions, so some of those are recurring savings from reductions in the workforce. Also, greater efficiency is being built in through having national services and shared access to facilities, which helps.

Again, the finance was not the sole driver for the reform; it was also about trying to improve service provision at a national level. As I have said, most of the recurring costs resulting from the merger and the subsequent integration work happened in the early years of the service.

**Alex Neil:** That is helpful, but it would be useful to get information on the balance to be achieved and what has to be saved where.

**Mark Roberts:** We will write the committee with that sum.

**Alex Neil:** Great; thank you.

**The Deputy Convener:** Bill Bowman wants to make a supplementary point.

**Bill Bowman (North East Scotland) (Con):** I want to come in on another point, convener.

**The Deputy Convener:** I will bring in David Stewart first, and then come back to you.

**David Stewart:** Workforce planning is crucial to the success of any large organisation. I will quickly raise two examples on workforce planning. A very positive example is the out-of-hospital cardiac arrest policy, which is when firefighters and paramedics respond to an incident together. That excellent intervention joins up services. As you know, the pilot was a success, but the trial has been suspended. Is the service clear about the number of staff that it needs? Although it is an excellent initiative, it is clear that there are budget issues. How can the trial continue? What are the workforce planning issues?

**Caroline Gardner:** First of all, that is a good example of the challenges that the Fire and Rescue Service has to respond to in negotiating with the FBU at a UK level. As you have said, the pilot of the out-of-hospital cardiac arrest service was positive, appeared to have a real impact on people's lives and wellbeing and was welcomed across Scotland. The FBU, at a UK level, decided that it was not ready to agree to that way of working, even though the pilots in Scotland had been successful. The negotiations continue.

In our report, we talk about the service's vision for changing the role of the firefighter more generally. The cardiac arrest service is one aspect of that, but the service considers that there is scope for firefighters to keep people safe in a range of other ways, and that is what is being negotiated.

I ask Mark Roberts or Kathrine Sibbald to talk you through what detail we know about the cardiac arrest pilots.

**Mark Roberts:** As Mr Stewart has said, the pilot was successful. If the fire service is able to progress with it, training will be required to support firefighters to provide the cardiac arrest service. That all depends on the negotiations with the FBU, because the changing role of firefighters is being negotiated at UK level. Everything is in abeyance until those negotiations progress. Should they be successful and an agreement be reached to move ahead and roll out that out-of-hospital cardiac arrest work, the training requirement will impact on the service. At the moment, everything is on hold.

**David Stewart:** I understand the point about the negotiations with the union, which is crucial. The general point is that the involvement of blue-light or first-response services is crucial in saving lives. I know from experience that some members of the police force carry defibrillators because they are more likely to meet someone in an emergency and a few seconds can be vital in that context.

I will move on to the next area that I want to ask about, in which there is a bit of a challenge, to say the least. The recruitment and retention of support staff is a problem—the service is short of 65.5 full-time equivalent staff. Snag areas include information and communications technology, where the staff shortage is 20 per cent. Does the service understand the issues around the recruitment of support staff? I am particularly concerned about the fact that there are considerable shortages of support staff in finance and procurement, given that the service faces financial issues. Do you have any general observations on that?

**Caroline Gardner:** The first point to make is that, although support services often get a bad rap and are seen as an overhead rather than as being

key to the provision of public services, we are clear that support staff such as finance and information and communication technology staff play a key role. Much of the vision for transformation relies on having the right information and IT support available.

In the workforce planning that the service has done, it is clear about the staff that it thinks it needs; the challenge is in recruiting and retaining those staff for the longer term and making sure that they remain engaged and feel that they are a vital part of the service. Mark Roberts might be able to say more about what the service is doing in that area.

**Mark Roberts:** The service is acutely aware of the scale of the challenge, and it is not alone in that. In our work, we have identified significant challenges with the recruitment and retention of ICT staff for public services. That is a particular risk. It is worth saying that, although the service has fewer finance staff than the target operating model specifies, financial management is very strong in the service. It faces significant challenges in the future, such as the capital backlog, the implications of which we have discussed.

The service is acutely aware of the problem and is actively seeking ways of attracting people into it. That is part of the service's on-going recruitment strategies.

**David Stewart:** Are there any general insights that you have gained? When there is a problem, the classic management approach would be to look at the salary, the environment that people experience and the job design. Are you conscious of any such issues there? Should there be an Edinburgh or Glasgow premium for ICT staff, for example?

**Mark Roberts:** We did not get into that level of detail. The committee might want to ask the service how it attracts people to particular jobs.

**Bill Bowman:** I would like to go back to the capital investment backlog. The terms "investment" and "maintenance" have been used interchangeably in the discussion. Are we talking about future investment that would go on to the balance sheet or maintenance that would go through the expenses? What is the make-up of the so-called backlog?

**Caroline Gardner:** The £389 million is all capital investment that is required. Some of it is needed to bring existing assets up to the required standard to enable them to continue operating, some of it is needed to bring about more fundamental change in the type of buildings that are used or where they are located and some of it is needed to create entirely new assets, such as the rapid response vehicles that would enable

different staffing models to operate. A range of things are covered, but we are confident that it is all capital investment rather than running costs.

**Bill Bowman:** So there is no backlog of maintenance.

**Caroline Gardner:** There is a backlog of maintenance that is required to bring the assets up to the standard that is required for them to be fit for purpose, as we say in the report.

**Bill Bowman:** When the investment comes about, will any cost be incurred in retiring assets that are currently on the books?

**Caroline Gardner:** The £389 million figure is an estimate, but it is the best estimate of the net cost of what needs to be done. Clearly, there is scope to—

**Bill Bowman:** That is the net cost. Are you talking about what would go through the income statement?

**Caroline Gardner:** No. I am talking about the net investment required, less things such as capital receipts, where they would be available.

**Bill Bowman:** Would those receipts be more or less than the value of the relevant assets in the financial statement, which would then go through the income statement?

**Caroline Gardner:** At this stage, we are talking about estimates on all of it, and many of the estimates are contingent on decisions about whether assets need to be replaced, relocated or provided in a different way altogether. They are the Fire and Rescue Service's best estimates, based on its vision for transforming the service.

**Bill Bowman:** The £389 million is the big number. We have all asked questions. As I understand it, the answer is that that is the number from the system. You have looked at the output from the system and checked that it is producing what we would expect, but we do not really have an understanding of what that number means as regards what is critical and what is not critical, and some of the other things that I have asked about.

**Caroline Gardner:** I will ask Mark Roberts to tell you a little more about the audit work that we have done on the estimate that is there, because I think that that is at the heart of your question.

**Bill Bowman:** I do not think that it is about the audit work; it is more about what the £389 million figure means. You have referred us to the Fire and Rescue Service to ask it what that figure means. I think that we will have to do that, if you have not done so.

11:00

**Mark Roberts:** As I said, we will provide the committee with the information that we have from the service on its asset management strategy, which sets out what it wants to do. We looked at that and we consider it to be a reasonable estimate and a reasonable approach to planning what it will have to do in the future.

We did not get into particularities about either the fleet or estates. We know that our colleagues in HMFSI will be looking at the fleet during the course of this year. At the level of this audit, we did not do a detailed review of assessments of the condition of the estate and that sort of thing. It is fair to say that we examined it at a fairly high level. However, we will be able to provide you with more of a breakdown.

**Bill Bowman:** That would be useful, as long as it is not just a pile of information but an interpretation of that information.

**Mark Roberts:** We will do that.

**Bill Bowman:** I have just one other point, which is on wording. In your summary, in item 3, you say under the first bullet point:

“The SFRS has taken a cautious approach with the aim of securing and maintaining political, staff, trades unions’ and public backing for its vision.”

Can you confirm that the SFRS has not really been taking political stances or getting involved in politics?

**Caroline Gardner:** We recognise that, for good reason, the Fire and Rescue Service needs to change significantly over the years ahead, both to meet the changing needs of the population and because the way in which it has been operating since its establishment in the late 1940s is not sustainable due to changes in the availability of retained and volunteer firefighters. We know from experience—the committee knows this better than we do—that such changes are often sensitive and can be contentious with local communities and with politicians locally and nationally.

The approach that the service has taken has rightly been to seek to gain backing for the changes that it is making. The judgment that we are making is on whether that is being done fast enough. I think that it has been steady but slow so far and that it now needs to pick up the pace of that change, given the challenges that it is facing around staffing the service and the cost of bringing its assets up to the condition that is required for the future.

**Bill Bowman:** So it has been about informing but not taking a political position.

**Caroline Gardner:** It is a difficult distinction to make. The Fire and Rescue Service clearly has to

work within the framework that is set for it by the Scottish Government, which encourages the service to innovate. It has to operate within its understanding of the risks facing the population and of the amount of money that it is likely to have to spend over the years ahead. That will require it to make changes. That is not political in any party-political sense, but it is obviously political in the sense of making choices about how resources and public money are used.

**The Deputy Convener:** That brings this evidence session to a close. I thank the Auditor General and her colleagues for their evidence. I will allow a little time for the Auditor General and her colleagues to leave the table before we move on to our next item.

11:03

*Meeting suspended.*

11:03

*On resuming—*

## **Petition**

### **Land Registration etc (Scotland) Act 2012 (PE1676)**

**The Deputy Convener:** Agenda item 4 is consideration of petition PE1676, from Tony Rosser, calling on the Scottish Parliament to urge the Scottish Government to review the Land Registration etc (Scotland) Act 2012.

As members are aware, the committee has previously shortlisted the 2012 act as one of the acts that it will consider as part of its post-legislative scrutiny work programme. The Public Petitions Committee has referred the petition to this committee on that basis.

Members will also recall that, for each of the shortlisted acts, the committee has agreed to hear further from the stakeholders who suggested the act before agreeing our approach to post-legislative scrutiny. This will give the committee an opportunity to explore the concerns in more detail and gain an understanding of the issues and will generally help to inform the committee's approach.

Do members agree to consider whether we wish to include the issues that are raised in the petition when agreeing the committee's approach to post-legislative scrutiny of the Land Registration etc (Scotland) Act 2012?

**Members** *indicated agreement.*

**The Deputy Convener:** I now close the public part of the meeting. We will move into private session.

11:04

*Meeting continued in private until 11:18.*



This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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