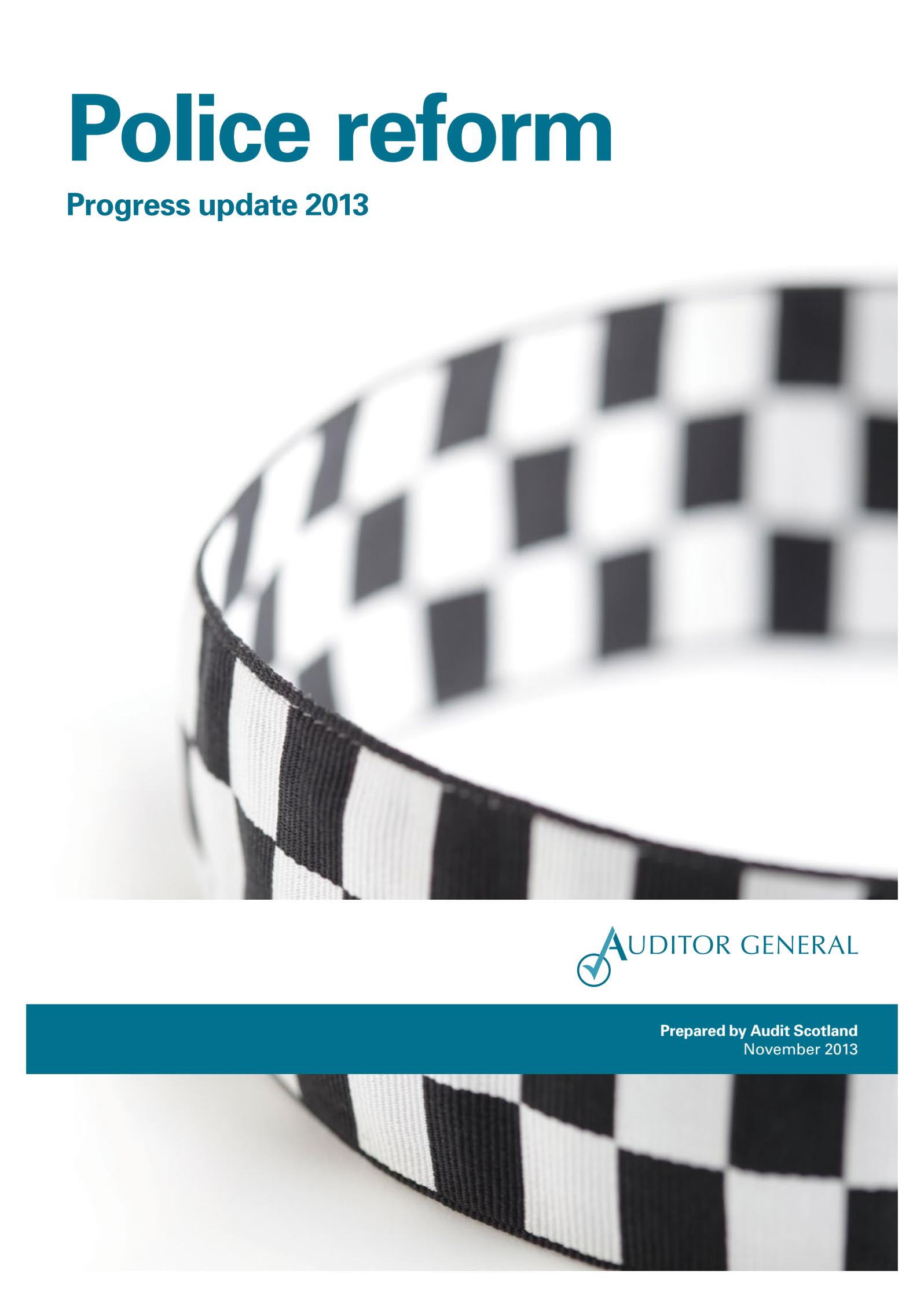


Police reform

Progress update 2013



 AUDITOR GENERAL

Prepared by Audit Scotland
November 2013

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Contents



Summary	4
Key messages	8
Part 1. Managing police reform	10
Part 2. Early costs and savings of police reform	21
Part 3. Challenges for the future	29
Endnotes	36
Appendix 1. Methodology	37
Appendix 2. Progress against the recommendations from our report <i>Learning the lessons of public body mergers</i>	38
Appendix 3. Arrangements for policing in Scotland	40



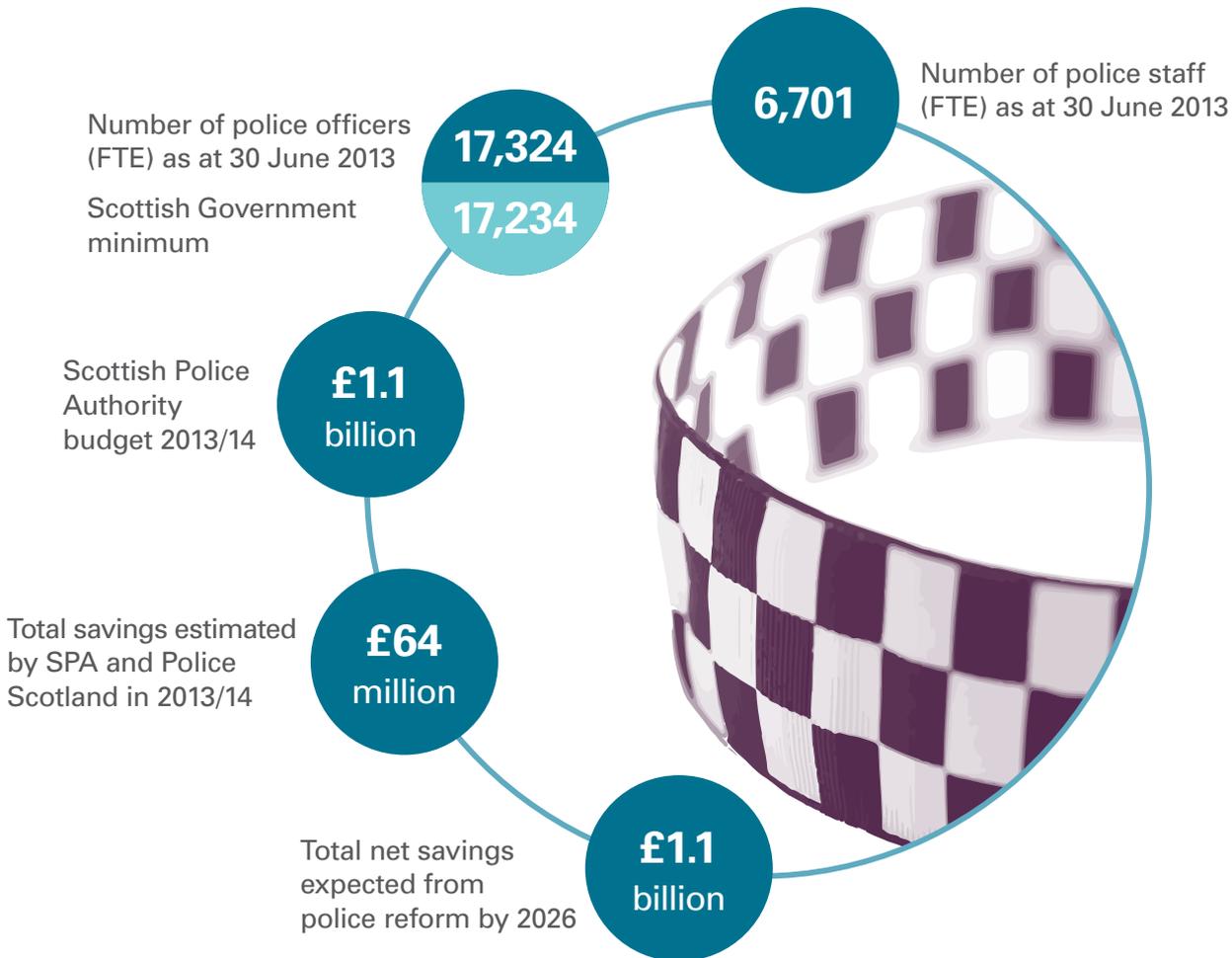
Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

Summary



Key facts



Background

1. The Police and Fire Reform (Scotland) Act 2012 (the Act) created a new structure for providing police services in Scotland. The Act brought together the eight police forces, the Scottish Police Services Authority (SPSA) and the Scottish Crime and Drug Enforcement Agency (SCDEA) into two new national bodies. These are the Scottish Police Authority (SPA) and the Police Service of Scotland (Police Scotland).¹ The new structure became operational on 1 April 2013.

2. The restructure transferred around £1.1 billion of annual spending and over 24,000 people, including 17,496 police officers, into the new bodies.² It also transferred responsibility for policing from local government to central government. This is one of the largest and most complex reforms of the Scottish public sector since devolution and the most significant change in policing since 1967.

3. The Scottish Government set three objectives for reform:

- To protect and improve local services, despite financial cuts, by stopping duplication of support services and not cutting the frontline.
- To create more equal access to specialist support and national capacity – like murder investigation teams and firearms teams – where and when they are needed.
- To strengthen the connection between police services and communities by:
 - creating a new formal relationship with all 32 councils
 - creating opportunities for many more locally elected members to have a formal say in police services in their areas
 - better integrating with community planning partnerships.

4. The Scottish Government viewed the previous model of eight police forces as unsustainable in a period of reduced public sector spending. Although not a stated objective of reform, one of the main drivers was to save money with savings of £1.1 billion expected by 2026.

5. The decision to create a single police service followed a period of public consultation on the future of policing. In February 2011, the Scottish Government launched a consultation to seek views on how to protect and improve the police service and increase partnership working with other organisations. This included assessing three options on the future structure of policing:

- Retain eight police forces but with increased collaboration.
- A regional model with fewer police forces.
- A single national police service.

6. In September 2011, following the consultation period and discussion with key stakeholders, the Scottish Government announced plans to create a single police service in Scotland. The Police and Fire Reform (Scotland) Bill was introduced to the Scottish Parliament in January 2012 and received Royal Assent in August 2012.

7. In addition to creating a single police service, the Act introduced new policing principles to replace the previous principles of ‘guard, patrol and watch’ from the Police (Scotland) Act 1967. The new principles are:

- the main purpose of policing is to improve the safety and wellbeing of persons, localities and communities in Scotland
- the Police Service, working in collaboration with others where appropriate, should seek to achieve that main purpose by policing in a way which:
 - is accessible to, and engaged with, local communities, and
 - promotes measures to prevent crime, harm and disorder.³

8. The Act requires the SPA to:

- maintain the police service
- promote policing principles and continuous improvement of policing
- keep policing of Scotland under review
- hold the chief constable to account for the policing of Scotland
- deliver forensic services
- make arrangements for independent custody visiting and complaints procedures.

9. Police Scotland, directed and controlled by the chief constable, is responsible for providing policing services to help improve the safety and wellbeing of people, places and communities in Scotland. The Act requires the chief constable to:

- be responsible and accountable to the SPA for the policing of Scotland
- have direction and control of the police service
- be responsible for the day-to-day administration of the police service
- prepare annual police plans
- seek to secure continuous improvement in the policing of Scotland
- ensure adequate arrangements are in place for the policing of each local authority area.

10. The Act also created the independent Police Investigations and Review Commissioner (PIRC) and gave new roles to HM Inspectorate of Constabulary for Scotland (HMICS) and the Auditor General for Scotland.

11. With significant savings expected over the next few years, the SPA, Police Scotland and the Scottish Government see police reform as a long-term process, beyond the creation of the SPA and Police Scotland.

About this audit

12. Our audit assessed the efficiency and effectiveness of the planning and early implementation of the new arrangements for police services in Scotland.

13. We examined the extent to which the Scottish Government, SPA and Police Scotland considered and implemented recommendations from our report

Learning the lessons of public body mergers in creating a single police service.⁴ The recommendations covered leadership and governance, planning and implementation, costs and savings and measuring performance.

14. The audit assessed whether the governance arrangements for policing were operating in a way consistent with good practice. Governance is about the structures, systems, processes, controls and behaviours by which an organisation makes decisions and manages its activities. The audit also reviewed the initial costs and savings made to date from police reform and provides a high-level overview of planned longer-term costs and savings.

15. As the reform process is in its early stages, we did not look at whether the Scottish Government's three objectives for reform are being achieved, nor have we reviewed the operational performance of the SPA or Police Scotland. The audit focused on the planning and governance arrangements in relation to the SPA and Police Scotland; we did not include the PIRC in the scope. We did not carry out a detailed assessment of any planned longer-term costs and savings beyond 2013/14, or the SPA's and Police Scotland's ability to deliver them. However, we did carry out a high-level analysis of some of the cost pressures facing the SPA and Police Scotland.

16. This report provides a position statement as at the end of September 2013. We recognise reform is a longer-term process and that there continues to be a lot of activity in this area. We will keep the progress of police reform under review in our forward work programme. Any future performance audit will include an assessment of progress against the recommendations in this report and the financial sustainability of the savings being delivered.

17. The report has three parts:

- [Part 1. Managing police reform](#)
- [Part 2. Early costs and savings of police reform \(to 2013/14\)](#)
- [Part 3. Challenges for the future](#)

18. Our findings are based on evidence from sources that include:

- interviews with senior staff in the Scottish Government, SPA and Police Scotland, and a sample of SPA board members
- a review of various documents relating to police reform we received from the Scottish Government, SPA and Police Scotland
- analysis of financial information
- published good practice on the principles of good governance and the role of boards.

19. More detailed information on our methodology is provided in [Appendix 1](#). [Appendix 2](#) summarises our assessment of performance against the recommendations from our report *Learning the lessons of public body mergers*. [Appendix 3](#) illustrates the arrangements for policing in Scotland before and after 1 April 2013.

Key messages



- 1** The creation of a single police service is one of the biggest reforms in the Scottish public sector since devolution. The new arrangements became operational on 1 April 2013. Much was achieved during the transition period. Police Scotland reports show front-line services have been maintained and progress has been made towards achieving the objectives of reform.
 - 2** Planning the move to a single police service was hampered by poor baseline information, a lack of clarity in roles and responsibilities, and difficult relationships between the Scottish Government, the SPA and Police Scotland. There have been significant changes to governance arrangements and some important strategies and plans are still under development.
 - 3** The costs and savings estimates for reform are based on the Outline Business Case prepared by the Scottish Government in September 2011. These estimates were not updated nor a full business case prepared. The SPA and Police Scotland have still to finalise and agree a financial strategy showing how savings will be achieved beyond 2013/14.
 - 4** The SPA and Police Scotland face continuing challenges in delivering the savings required. Their limited flexibility in managing police officer and staff numbers and delays in decision-making contribute to this.
-

Recommendations

The Scottish Government, SPA and Police Scotland should continue to work together to:

- develop positive and effective working relationships, based on a mutual understanding of and respect for each other's roles, including agreement on the responsibilities relating to sponsorship, governance and delivery of police services
- agree how police performance will be reported to support effective scrutiny
- agree and implement arrangements for monitoring and reporting progress on the benefits of reform by the end of March 2014 and take collective responsibility for delivering these.

The Scottish Government and the SPA should continue to work together to:

- ensure that all the agreed proposals on the SPA's organisational requirements are fully implemented by the end of March 2014, including the appointment of permanent senior staff.

The SPA and Police Scotland should continue to work together to:

- identify accurate baseline data for non-operational areas such as finance, HR and procurement
- agree a financial strategy by the end of March 2014, informed by evidence-based options for achieving savings, and take joint responsibility for its delivery
- agree long-term strategies in the main areas that will contribute to savings including estates, workforce, procurement and ICT.

The SPA board should:

- clearly set out the information it requires from the SPA and Police Scotland in order to provide effective scrutiny, challenge and support.

The Scottish Government should:

- carry out a comprehensive lessons learned exercise after the first year of the new policing arrangements and share findings within the Scottish Government and with other public bodies that are starting a merger process.
-

Part 1

Managing police reform



Key messages

- 1** The move to a single police service is the most significant change in policing since 1967. Much was achieved during the transition period and reports to the SPA board show that front-line policing services and policing performance have been maintained.
- 2** The Scottish Government made senior appointments six months before the start of the new service. This was as early as the timetable allowed. The chair of the SPA was appointed on 31 August 2012 and the chief constable was in post on 1 October 2012.
- 3** A lack of good baseline information, different interpretations about what some of the legislation meant in practice and difficult relationships among the main stakeholders affected planning for the move to a single police service.
- 4** Not all lessons from previous audit reports have been learned. For example, a number of recommendations from our report *Learning the lessons of public body mergers* have yet to be fully implemented.

Police reform involved one of the most complex public sector restructures since devolution

20. Police reform has involved one of the biggest and most complex restructures in the public sector for many years. More than 24,000 police officers and staff and at least 1,000 properties were transferred from the six joint boards, two police authorities, the SPSA and the SCDEA to the SPA and Police Scotland ([Appendix 3, page 40](#)). It is also the first time since devolution that local authority services have transferred to central government.

21. Despite this complexity, the two new police bodies were established within 18 months of the Scottish Government announcing its intention. The Scottish Government clearly articulated the objectives of reform and while it is too early to assess whether these are being delivered, early indications show that much has been achieved during the period of transition. Examples of some of the achievements of police reform at 1 April 2013 are shown in [Exhibit 1 \(page 11\)](#).

22. The Scottish Government had overall responsibility for delivering the new policing arrangements. Much of the early planning depended on decisions being made by police joint boards or authorities or by the Association of Chief Police

police reform involved one of the most complex public sector restructures since devolution

Officers (ACPOS), over which the Government had no control. Our previous report on the SPSA highlighted some of the difficulties inherent in the previous ACPOS structures for agreeing national priorities.⁵ These difficulties were a factor in the Government's decision to move to a single police service and affected some of the early planning for reform.

Exhibit 1

Achievements of police reform by 1 April 2013

The Scottish Government, SPA and Police Scotland achieved much prior to the start of the new arrangements for policing.

 Scottish Government	 SPA Board	 Police Scotland
 Established legislation to create the SPA and Police Scotland	 Published a strategic plan	 Published an annual police plan
 Appointed the chair and the board of the SPA	 Established a board that meets regularly in public. Board held seven public meetings prior to 1 April 2013	 Created 14 local policing divisions led by local commanders and supported by 73 area commanders
 Provided interim staff to the SPA to support the board	 Appointed the senior command team in Police Scotland	 Developed policing plans for all 32 councils and each of the 353 multi-member wards
 Established legislation for terms and conditions of police staff and to manage the pensions of police staff	 Established a national forensics service	 Launched the non-emergency 101 number
 Supported the transfer of property, rights, liabilities and obligations across to the new organisations	 Agreed a budget for SPA and Police Scotland for 2013/14	 Established the Specialist Crime Division
 Developed the framework to support the 32 local scrutiny engagement committees	 Established a complaints procedure and arrangements for custody visiting	 Established centres of expertise for specialist areas, such as human trafficking & homicide
 Established legislation to create the PIRC and supported its development	 Established an engagement approach with each local authority in Scotland	 Agreed a budget for 2013/14

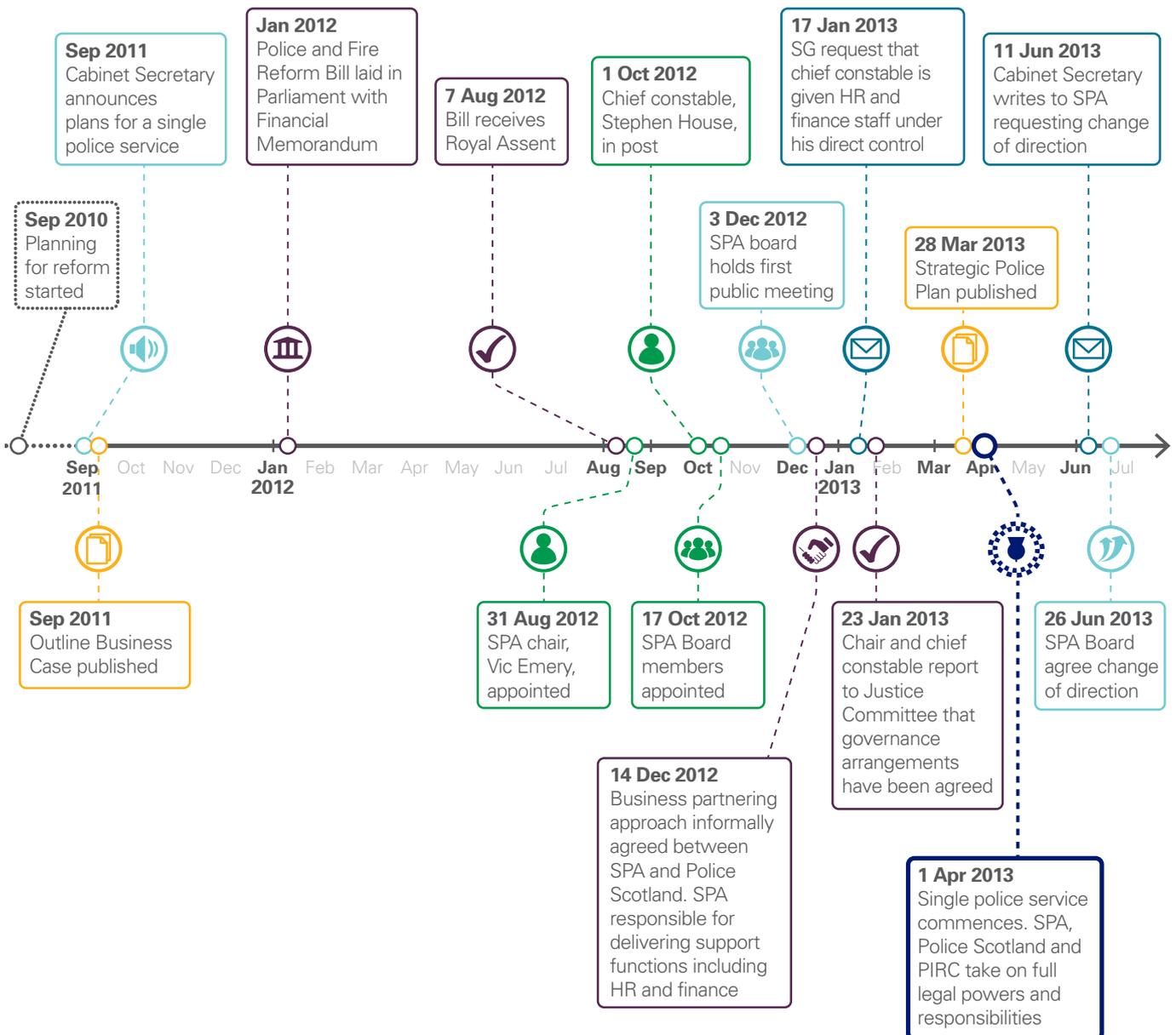
Source: Scottish Government, SPA and Police Scotland

23. Planning for reform started in September 2010 with the creation of the sustainable policing team.⁶ This was followed by a public consultation period from February to May 2011 and the announcement in September 2011 that a single police service would be created. The start date of 1 April 2013 was unanimously agreed by the police and the Scottish Government as the preferred option for the new service to commence. It was agreed that this date would enable the benefits and savings of reform to start being realised as early as possible and reduce the risk that policing of the Commonwealth Games would be affected by the changes. This decision had significant implications for planning and the time available to make decisions. **Exhibit 2** illustrates the timeline of main events in planning and implementing the new policing arrangements from September 2010.

Exhibit 2

Timeline of main events in police reform

The new police bodies were established within 18 months of the initial announcement.



24. The Scottish Government adopted a programme and project management approach as the overall planning framework for police and fire reform following HM Treasury guidance. This approach was important in helping achieve the restructuring of the police in a short timescale. There were two reform teams, one led by the Scottish Government and one led by the police, which worked together under a single overarching governance structure led by the Police Reform Programme Board.⁷ The Scottish Government-led reform team was responsible for a range of issues including all legal matters concerning reform, in particular:

- progressing the Police and Fire Reform Bill through the Scottish Parliament
- enabling the transfer of responsibilities, assets and liabilities from local government to central government
- supporting the development of local scrutiny and engagement.

25. The police-led reform team was responsible for all operational policing matters associated with reform. Between them, the teams worked on 24 projects ([Exhibit 3, page 14](#)).

26. Initially, both reform teams reported to the Police Reform Portfolio Direction Board, which in turn reported to the Scottish Policing Board Police Reform Sub-Group.⁸ The Scottish Policing Board was wound up in January 2013 as a result of the changing arrangements for policing in Scotland. The Portfolio Direction Board was then replaced by the Police Reform Programme Board, chaired by the SPA. This had overall responsibility for delivering the new structures by 1 April 2013.

Recommendations from project reviews were not fully implemented

27. The Scottish Government and police-led reform teams commissioned separate gateway reviews for the two strands of work. A gateway review is a short, focused review of a programme or project carried out by a team who are independent of the programme. The Scottish Government sponsors and provides staff and funding to enable gateway reviews to take place. The first two reviews took place in April and May 2012 with follow-ups in January and February 2013. The reviews made a number of recommendations, many of which covered similar areas, such as identifying benefits, risk management, communication and developing the business case.

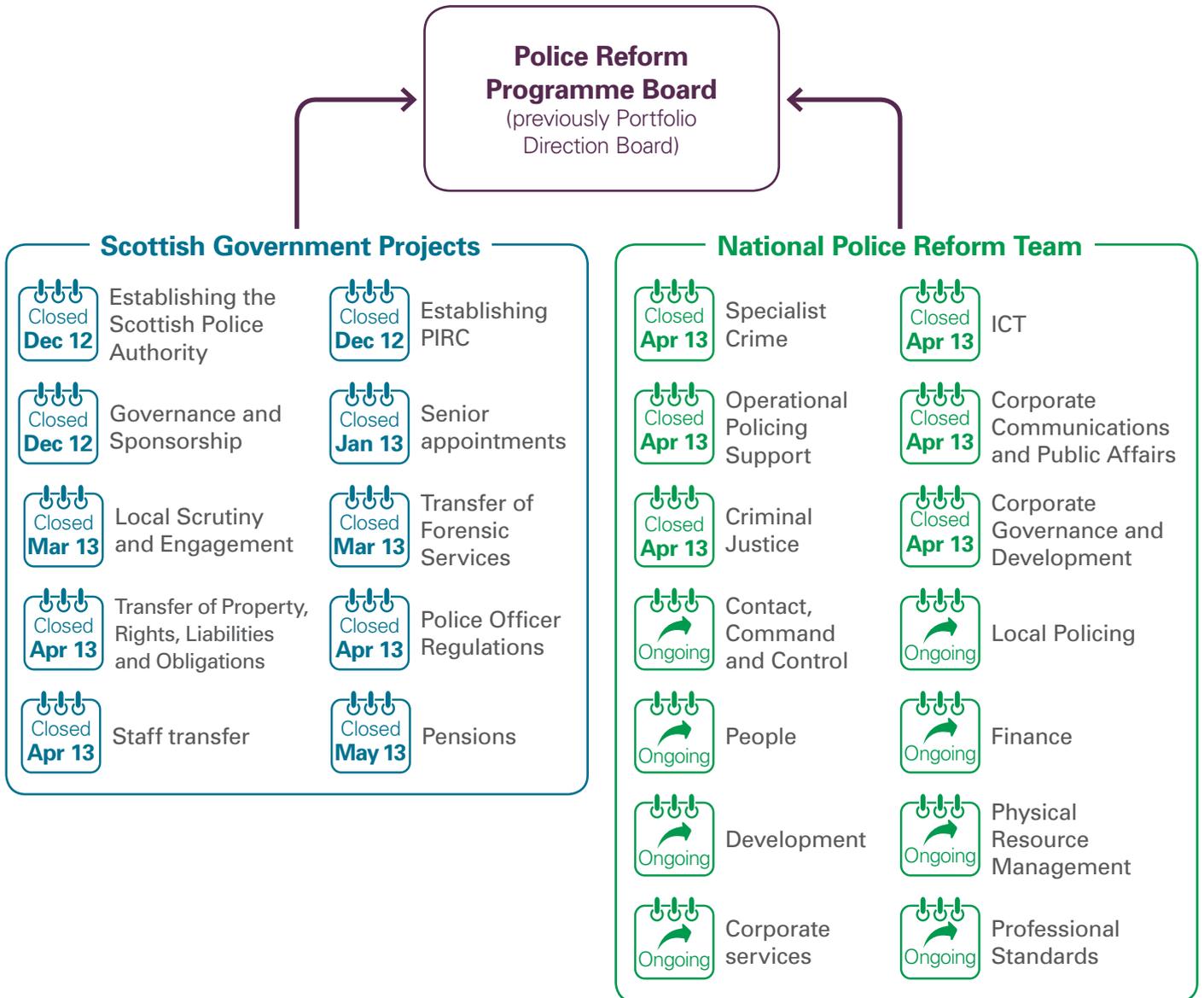
28. Other reviews, commissioned by the SPA and the police, in relation to developing finance systems and costs and savings plans were carried out by KPMG in October 2012, March and April 2013 and by PricewaterhouseCoopers (PwC) in February 2013. Both KPMG and PwC highlighted significant concerns about financial management in addition to the issues identified by the gateway reviews.

29. A number of recommendations from these reviews were not fully implemented, including the gateway review recommendation to update and use the business case to test the validity and realism of programme assumptions.

Exhibit 3

Police reform programme projects

Planning for police reform was delivered through 24 projects. Each project was split into a range of activities.



Source: Scottish Government

Senior appointments were made as early as the timetable allowed

30. Our report *Learning the lessons of public body mergers* recommended that the permanent chair and chief executive should be appointed at the earliest opportunity – ideally at least six months before the start of the new organisation. This is to give time to progress important decisions and develop the strategic direction and structure of the new organisation. The Scottish Government did significant preparatory work to make the appointments as early as possible. The process to recruit the SPA chair and board members could not start until June 2012 as the SPA had no governing legislation until this time.⁹

31. The Scottish Government appointed the SPA chair on 31 August 2012. The Act also requires the SPA to appoint the chief constable, to ensure political independence from government. The chief constable was appointed by the SPA chair and approved by the Scottish Government and was in post on 1 October 2012, six months prior to the start of the new police service.

32. The appointment of the other 12 board members took place on 17 October 2012. Following this the SPA board appointed the Police Scotland senior management team and approved the chief constable's proposals for the operational structure of the new police service. Most of Police Scotland's senior management team took up post at the end of November and early December 2012.

33. By the time SPA board members had been trained and senior police officers had taken up post, there were four months left to ensure that the SPA and Police Scotland would be operating legally and effectively by 1 April 2013. Decisions were required in a number of important areas, for example:

- the governance structure for policing in Scotland
- interim and permanent staffing structures
- a strategic police plan
- an annual police plan
- a financial strategy
- strategies for several important support services, including estates, workforce, fleet management and information and communication technology (ICT).

34. The agreed timescale meant that there was not sufficient time for the SPA and Police Scotland to fully consider and agree some of these complex issues before 1 April 2013. The SPA and Police Scotland met their statutory duty to publish a strategic police plan and annual police plan by 31 March 2013. Many of the other areas requiring decisions are still being progressed, including an agreed staffing structure for the SPA and non-operational areas of Police Scotland and the development of a financial strategy and strategies for many of the support services.

Planning for reform was hampered by poor baseline information, different interpretations of the Act and difficult relationships

Decision-making was affected by a lack of baseline data

35. The SPA had to make important decisions both for the short term, to enable Police Scotland to operate legally and effectively on 1 April, and for the longer term, to deliver the required savings. There was a significant lack of good data to inform these decisions.

36. The police-led reform team had a lot of operational information from individual forces before reform but they did not have sufficient data on non-operational areas such as finance, assets, the workforce and contracts. For example, there was a lack of good data on staff numbers; the number of contracts held by the legacy forces and when they expired; and details on assets held such as land and buildings. The way that forces managed support services varied widely, which made collecting this data particularly difficult.

37. In February 2013, the SPA commissioned PwC to review baseline costs for policing. PwC found that the level, frequency and detailed analysis of budgeting and reporting varied considerably in the legacy organisations, which could undermine baseline information assumptions. Our report *Best Value in police authorities and police forces in Scotland* also found there was no consistent picture across Scotland regarding costs.¹⁰

38. The lack of baseline data has made it difficult for the SPA to make informed decisions on different options for reform. For example, the lack of comprehensive information on existing contracts from the eight former police forces makes it difficult to identify where and when savings could be made by combining procurement and purchasing activity nationally. Work still continues in a number of areas, including estates, procurement, finance and HR, to establish a baseline position.

39. The gaps in baseline data will also make it difficult to track how performance is changing following the restructure to a single police service and whether the intended benefits of reform are being achieved. We highlighted the importance of collecting good baseline data in our report *Learning the lessons of public body mergers*.

There were different interpretations of what maintaining the police service meant in practice

40. The Act states that the main role of the SPA is to maintain the police service and hold the chief constable to account. It does not prescribe how the SPA should do this in practice. The SPA and Police Scotland are two distinct legal entities, and the Scottish Government considered it was up to them to agree how they would meet their separate statutory responsibilities.

41. The SPA board initially decided that the SPA would directly deliver all the main support functions for Police Scotland, including forensics (as required by the Act), HR, finance, ICT, estates and procurement. The board considered that this arrangement would allow it to fulfil its remit under the Act to maintain policing and give it more control over achieving the required savings. The lack of baseline data and draft strategies when board members were appointed was a factor in this decision. This type of service delivery arrangement is often described as business partnering.

42. The SPA discussed the principles of business partnering in a number of meetings with both Police Scotland and the Scottish Government during November 2012. Following a number of discussions and updates, the principle of business partnering was formally agreed in January 2013. This agreement included an amendment requested by the Scottish Government that the SPA board provide the chief constable with enough HR and finance support to enable him to carry out his duties in line with the Act. Both the chief constable and the SPA chair wrote to the Scottish Parliament's Justice Committee confirming agreement of the business partnering arrangement.

43. Business partnering was not identified as an option in the Outline Business Case (OBC) nor anticipated by either of the reform teams in their early planning for reform. However, the Scottish Government considered that this decision was within the SPA's remit. The SPA did not detail the benefits of this arrangement over other options, how the costs and savings would compare with those outlined in the OBC or how it would work in practice. Nor did the SPA demonstrate it had the necessary people with the right skills and experience to successfully deliver these services within the timescales required to achieve the savings.

44. In April 2013, after the SPA and Police Scotland were formally established, the Scottish Government and HMICS became increasingly concerned that the focus on delivering support services was distracting the SPA board from its important strategic and governance role. Following a series of meetings between the Scottish Government, HMICS and the SPA board, the Scottish Government requested the SPA board to reconsider its decision to deliver services directly and to focus on strategy, policy, scrutiny and engagement. The SPA board agreed to this change in direction at its meeting on 26 June 2013. At that meeting, the board agreed that responsibility for all support functions, other than those SPA are required to deliver by the Act, would be transferred to Police Scotland.

There have been difficult relationships between the Scottish Government, the SPA and Police Scotland throughout the reform process

45. Planning for reform has been affected by poor relationships at senior levels among the four main stakeholders – the SPA board, the SPA senior management team, the police and the Scottish Government. There were a number of areas of tension, including:

- different interpretations of the Act, the Scottish Government’s intention behind the Act, and what this meant for the role of the SPA in terms of ‘maintaining’ the police service
- the lack of good baseline information on non-operational police activity; in particular, the lack of comprehensive financial information to identify how savings outlined in the OBC would be achieved
- a lack of shared understanding and expectations over what effective scrutiny of the police service looked like in practice
- the Scottish Government’s changing position over the way the SPA should operate.

46. These difficulties have resulted in considerable time being spent in meetings to resolve areas where there have been disagreements. Our previous audit work has highlighted the importance of good working relationships in ensuring public money is spent properly.¹¹ Considerable work is now required by the SPA board, the SPA senior management team, Police Scotland and the Scottish Government to build mutual confidence, trust and respect.

There were difficulties in establishing the SPA and a number of issues remain outstanding

47. The decision to deliver a single police service on 1 April 2013 meant the SPA had to be able to make informed and time-critical decisions on important areas of reform as soon as possible after board members were appointed.

48. One of the Scottish Government-led reform projects was to establish the SPA. The project’s remit was to:

- arrange for the appointments to the SPA board
- ensure the SPA could receive and allocate money
- provide appropriate financial and business systems

- provide accommodation and suitable ICT systems
- provide interim staffing and committee structures.

49. Much of this initial work was completed and the project closed in December 2012. At that time, responsibility for providing continuing support to the SPA was transferred to the sponsor department within the Scottish Government.

50. The SPA board is responsible for appointing senior staff within the SPA. The SPA's decision to deliver support services directly meant there were delays in agreeing its organisational structure and staffing requirement. This resulted in appointments to the SPA senior management team being made late and on an interim basis.

51. The SPA chair and board members were appointed as early as possible and secondary legislation was passed to enable the SPA to receive and allocate money. The Scottish Government also provided a few interim staff including an interim lead officer. In November 2012, the chair appointed an interim chief executive to replace the interim lead officer. Further appointments to the team were made to provide additional support to the chair and the board. While some of the SPA staff had experience of the creation of the former SPSA, none had experience of operational policing at a senior level. Staff with such experience could have promoted understanding of policing among board members.

52. The lack of senior management capacity has meant that SPA board members had to become involved in executive matters rather than fulfilling their appointed non-executive role. For example, board members were involved in the preparation of the 2013/14 budget, developing schemes of delegation and gathering baseline data from each of the previous eight police forces. This involvement in executive matters makes it more difficult for them to provide effective scrutiny, challenge and support.

53. A number of other issues are still to be resolved. Finance and business systems continue to be based on those previously used by the SPSA and appropriate accommodation and ICT requirements have still not been agreed. The Scottish Government rented Bremner House in Stirling in July 2012 as the interim location for the SPA. No staff have been transferred to Bremner House despite it being available from November 2012. As at September 2013, it remains unoccupied with annual rental charges costing £132,000.

Front-line services have been maintained through the transition to a single police service

54. While we have not reviewed operational performance in this audit, reports to the SPA board indicate that the performance of front-line services has been maintained during the move to a single police service. In the first three months of the new service, recorded crime continued to drop by 1.4 per cent compared to 2012. Serious crimes have dropped significantly, down 16 per cent on 2012 while detection rates have remained constant. Specialist units, such as the Air Support Unit and Marine and Underwater Unit have been extended to cover operations nationwide. Operational initiatives, such as summer drink and drive campaigns, have taken place as usual.

55. The chief constable and the SPA agreed that Police Scotland will report in detail on specific areas of operational policing performance to the SPA board. Recent performance reports to the board have commented on the work that has taken place nationally in dealing with domestic abuse and using stop and search tactics to reduce violence, detect and prevent crime.

56. A new national non-emergency number (101) was set up in February 2013. By mid-May 2013, it had dealt with 250,000 calls. In July 2013, 53 per cent of all calls to Police Scotland were received via 101. There have been no reports to the board of any significant disruption to day-to-day policing, and board members, at their meeting on 9 May 2013, commended the chief constable for the successful transition. [Exhibit 1 \(page 11\)](#) also gives examples of achievements by 1 April 2013.

Not all lessons from previous audit reports have been learned

57. Our report *Learning the lessons of public body mergers* made recommendations on leadership and governance, planning and implementation, costs and savings and measuring performance for future public body mergers. Many of the recommendations have yet to be fully implemented by either the Scottish Government or the SPA and Police Scotland. A summary of progress in implementing our report's recommendations is at [Appendix 2 \(page 38\)](#).

58. Our report *The Scottish Police Services Authority*, published in October 2010, found that the SPSA's initial budget was based on incomplete information and the transfer of staff and assets was affected by poor information, a lack of cooperation and short timescales. The SPA and Police Scotland have experienced similar difficulties to those that the SPSA encountered when it was established in 2007.

59. Our report, *Best Value in police authorities and police forces*, identified a number of issues for the SPA and Police Scotland to consider, including the need to clearly articulate accountability arrangements and agree roles and responsibilities.

60. The Scottish Government's lessons learned review of police reform focused on the programme management approach and what worked well, rather than what didn't work effectively. There has been no wider review covering, for example, the significant governance issues that our audit has identified.

61. The Scottish Government should now ensure that lessons are shared within the Scottish Government and with all other public bodies starting a merger or reform process, to prevent the same problems recurring.

Recommendations

The SPA and Police Scotland should continue to work together to:

- identify accurate baseline data for non-operational areas such as finance, HR and procurement.

The Scottish Government should:

- carry out a comprehensive lessons learned exercise after the first year of the new policing arrangements and share findings within the Scottish Government and with other public bodies that are starting a merger process.
-

Part 2

Early costs and savings of police reform



Key messages

- 1** The costs and savings estimates for reform are based on the Outline Business Case (OBC) prepared in September 2011. These estimates were not updated nor a full business case prepared.
- 2** The SPA and Police Scotland estimate they will need to deliver savings of £64 million in 2013/14 including the £42 million identified in the OBC and £22 million of inflationary and other pressures. The majority of these savings are expected to come from reducing police staff costs including the use of voluntary redundancy and early retirement schemes.¹²
- 3** The SPA and Police Scotland have a financial plan for 2013/14 but have yet to finalise and agree a financial strategy to outline how savings will be achieved beyond this year. To do this requires a detailed understanding of the costs of policing and there has been limited progress in developing this.
- 4** By September 2013, the Scottish Government had provided £36 million towards the costs of police reform and plans to fund a further £111 million during the remainder of 2013/14 and 2014/15.

The SPA and Police Scotland estimate they will need to save £64 million in 2013/14 to stay within the allocated budget

62. From 2013/14, the Scottish Government is allocating funding to the SPA for policing on the assumption that all the proposed savings will be delivered. In 2013/14, the SPA budget was £1.062 billion, of which the SPA allocated approximately £966.7 million (91 per cent) to Police Scotland ([Exhibit 4, page 22](#)).

63. The Financial Memorandum (based on the OBC) estimated savings of £16.3 million in 2011/12 and £9.1 million in 2012/13. During 2011/12, Scottish police forces reported £24 million savings, and were expected to save a further £10 million in 2012/13.¹³

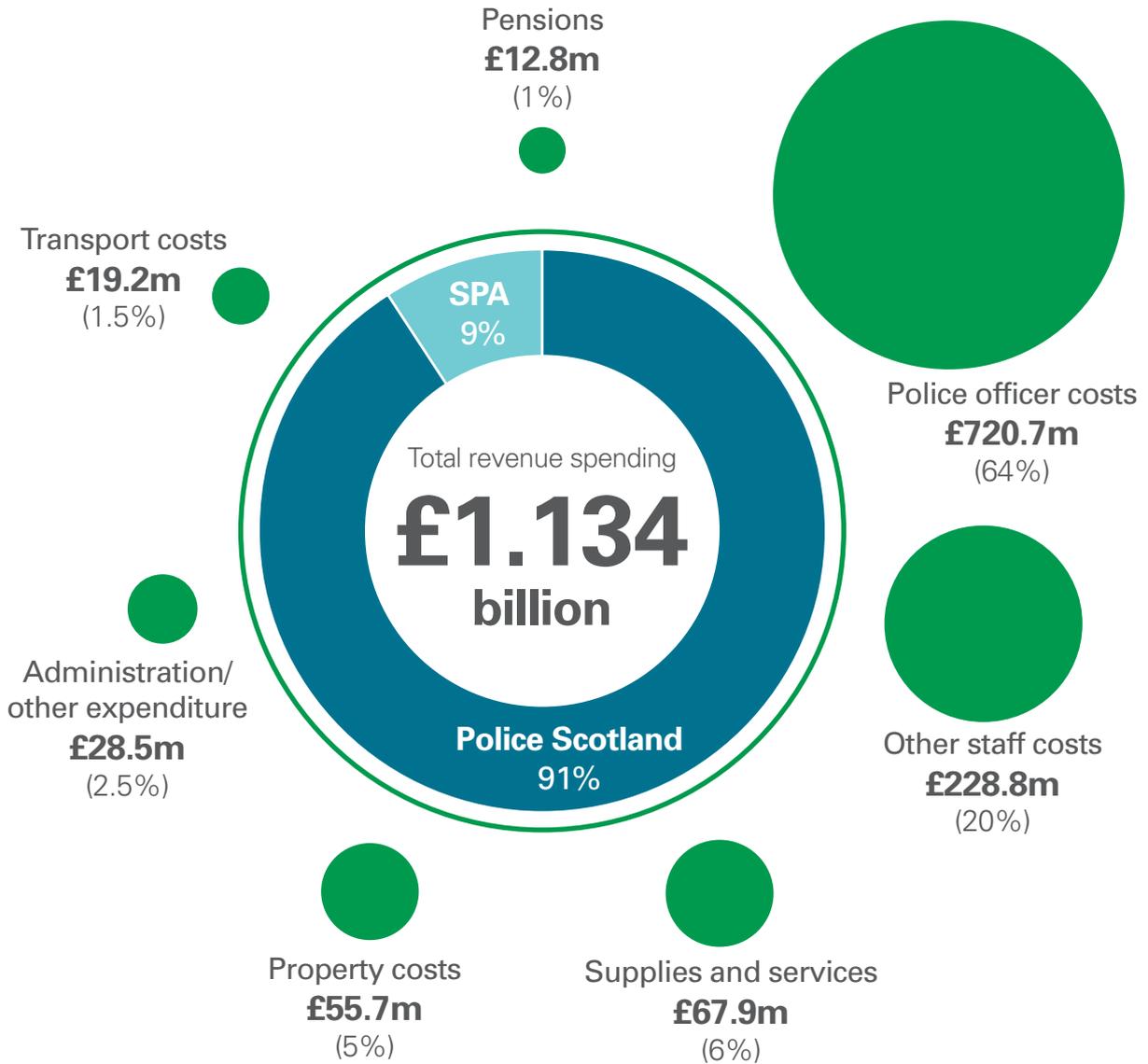
64. SPA's budget in 2013/14 is £1.062 billion which assumes savings of £42 million. To meet its budget, the SPA and Police Scotland will have to reduce spending by £64 million in 2013/14, £22 million more than was identified in the OBC, due to inflation and other known cost pressures such as pay increments.¹⁴ At August 2013, £55.4 million of savings had been identified with work ongoing to identify the remaining £8.5 million.¹⁵

the SPA
and Police
Scotland
estimate
they will
need to save
£64 million in
2013/14

Exhibit 4

SPA and Police Scotland forecast total revenue spending 2013/14

As at August 2013, the SPA and Police Scotland forecast net revenue spending was £1.071 billion, against a budget of £1.062 billion.



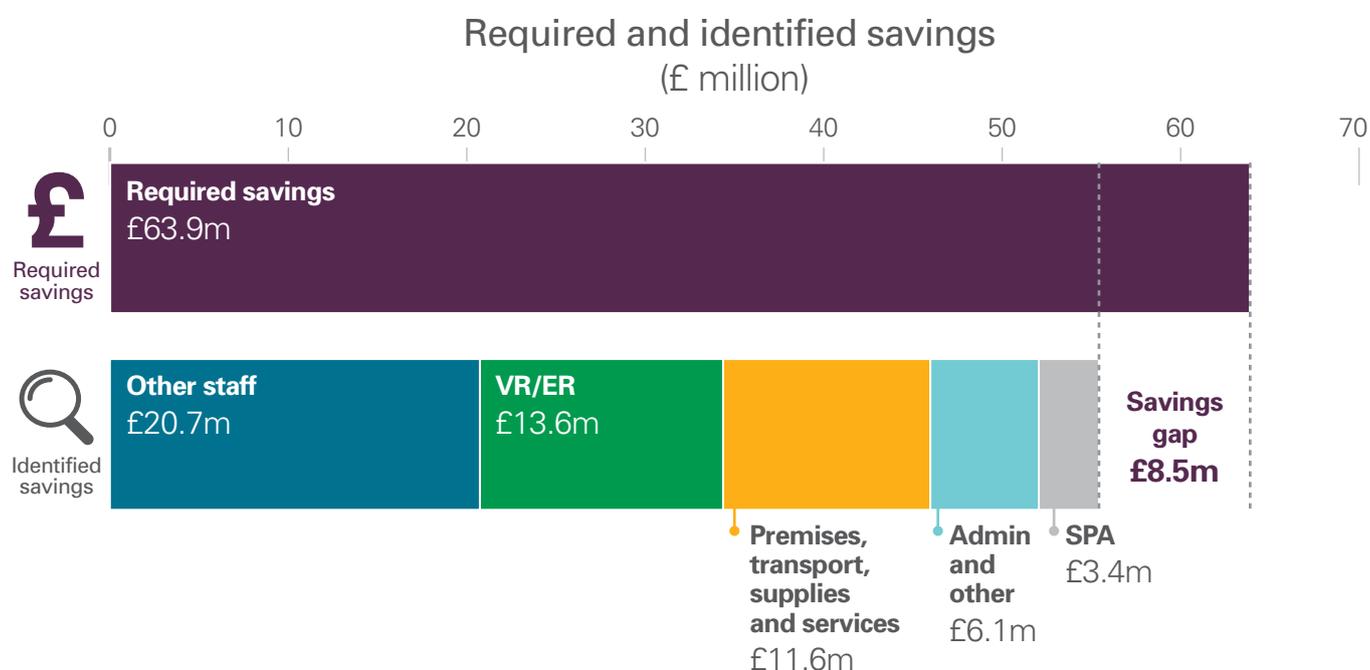
Note: Figures in the chart total £1.134 billion which represents total revenue spend. This includes £63 million of income from other sources such as local authority contributions and non-government sources such as policing at commercial events. Pension costs relate to police staff costs only.

Source: SPA

65. Many savings are expected to come from reducing police staff costs, which comprise 20 per cent of the SPA’s budget. In 2013/14, anticipated savings from voluntary redundancy and early retirement schemes totalled £13.6 million with £20.7 million from other staff savings such as not replacing people who leave. In addition, £21.1 million is expected to come through reduced spending in other areas such as property and supplies ([Exhibit 5, page 23](#)).

Exhibit 5**2013/14 savings, by category, at August 2013**

£55.4 million of savings have been identified. At August, £8.5 million had still to be identified.



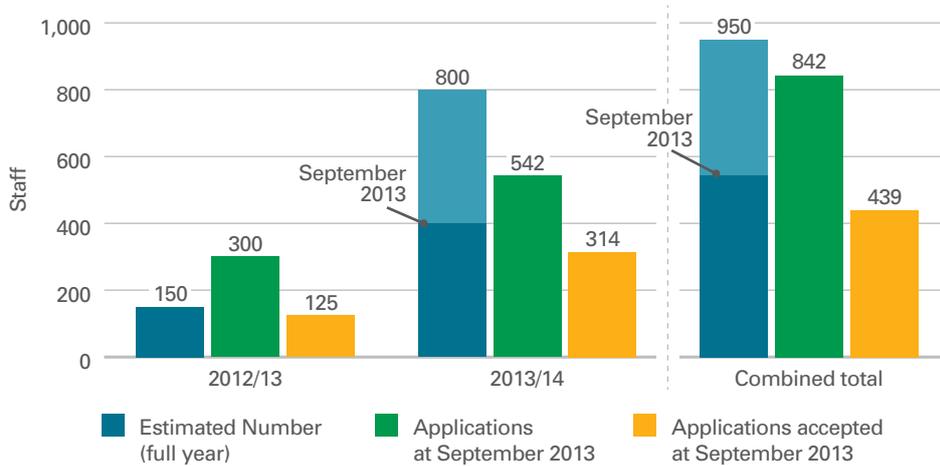
Source: SPA and Police Scotland

66. The SPA and Police Scotland estimate that around 800 police staff will need to leave through voluntary redundancy and early retirement schemes for the required savings to be realised in 2013/14. The exact figure will depend on savings generated by other means such as not filling posts when people leave under normal circumstances. The process of voluntary redundancy and early retirement schemes is ongoing. As at September 2013, 314 of 542 applications (58 per cent) for voluntary redundancy or early retirement had been approved by the SPA and accepted by staff ([Exhibit 6, page 24](#)).

67. The full savings effect from each of these schemes occurs in the following financial year. Although most of the savings for 2013/14 have been identified, the time lag between application for voluntary redundancy or early retirement, approval, and savings being realised, means that there is a risk the savings will not be achieved within the year expected. Changes in implementing an agreed governance and organisational structure may also affect the achievability of these savings. For example, the uncertainty among staff on their future job role or where they will be located makes it difficult for them to decide whether to apply for or accept, exit packages.

Exhibit 6

Voluntary redundancy and early retirement schemes in 2012/13 and 2013/14
 Over 400 applications from police staff to leave have been accepted since April 2012.



Note: Some applications from the two-year total may be duplicate as they may be from a return applicant.

Source: SPA

The costs and savings in the OBC were not updated

68. In September 2011, the Scottish Government published an OBC for reform. This included estimated costs and savings arising from three options for police reform, including the creation of a single police service. The Scottish Government subsequently used these costs and savings to inform the Financial Memorandum of the Police and Fire Reform Bill. Many of the OBC’s costs and savings reflected the work of the Sustainable Policing Project, which had previously estimated where potential savings could be made from different ways of delivering police services.

69. In March 2012, the Scottish Parliament Finance Committee highlighted concerns over the lack of a full business case.¹⁶ It also highlighted disagreements between the police and the Scottish Government about the accuracy of the costs and savings outlined in the Financial Memorandum. The police raised concerns that the costs and savings estimated in the OBC had not been subject to independent scrutiny and questioned some of the assumptions used. The Committee received assurance from the Scottish Government that the police service was leading on developing a full business case to provide greater accuracy of the costs and savings from reform. The development of a full business case, based on the creation of a single police service, was not carried out and the police did not develop alternative costs and savings estimates.

The SPA and Police Scotland have not yet agreed a financial strategy

70. The SPA and Police Scotland have not yet agreed a financial strategy to demonstrate how savings will be achieved after 2013/14. The financial information presented to the SPA board has focused on achieving savings in 2013/14. The board has approved a capital plan that outlines planned capital spending of £49.4 million in 2013/14 and indicative allocations of £41.9 million and £31.6 million over 2014/15 and 2015/16 respectively. There are no equivalent indicative allocations for revenue expenditure. We highlighted the need for the SPA and Police Scotland to develop a financial strategy in our report *Best Value in police authorities and police forces in Scotland*.

71. There has been limited progress in developing a detailed understanding of the costs of policing. This has contributed to the difficulties in preparing detailed options to help develop a financial strategy. In early 2011, initial data was gathered by the Sustainable Policing Project on the costs of policing based on workforce data, using Police Objective Analysis (POA). The project used POA to help identify the costs of different policing activities. All forces in England and Wales identify their costs this way. In Scotland, police forces have used POA to prepare annual accounts, but it has never been fully implemented as a financial management tool.

72. In July 2012, the Scottish Government requested a financial strategy from the police-led reform team to provide assurance that the SPA and Police Scotland could achieve savings targets. The police-led reform team did not agree to provide financial information to the Government before the chief constable was appointed. In November 2012, following the chief constable's appointment, the police-led reform team submitted high-level savings information to the Scottish Government. This did not include details on how Police Scotland would achieve the savings or any assumptions used. Following the appointment of the SPA board, members also requested a detailed financial strategy from Police Scotland to demonstrate how it would make savings.

73. The SPA board stressed the importance of developing a longer-term financial strategy at its meeting in June 2013 and the SPA has established a working group to consider savings plans for 2014/15 and 2015/16. A three-year financial strategy was due to be presented to the board in August. The board papers note that this has not yet happened.

Limited financial capacity and capability within the police has contributed to the lack of a financial strategy

74. In October 2012, the police-led reform team commissioned KPMG to review financial arrangements. This KPMG report identified a lack of clarity around roles, responsibilities and approach to tackling financial matters, and how these would be managed through the reform process. KPMG also found that finance staff were not heavily involved in the reform activity, creating an absence of professional financial support and advice. Further findings included:

- The presentation of the financial information was difficult to interpret and there was no report that collated it all in one place. With no full financial picture in place, it was difficult for senior managers to assess the information and make informed decisions.
- There was a lack of high-level and detailed scenario modelling to provide options for financial planning.

- There were no financial reports used by the police-led reform team to update or track the financial position of the reform programme.

75. Further reports by KPMG, commissioned by the SPA in March and April 2013, to the SPA and Police Scotland highlighted significant issues in how the finance system was being developed. These included the following findings:

- The police-led finance project was not being managed effectively.
- There was no blueprint for a future finance structure.
- The police-led finance project had not documented how future business and financial transactions would be processed.
- There was no identification of a future operating model for finance to outline timescales and the nature and extent of reporting.

76. These reports provided SPA and Police Scotland with an early warning that there were significant issues around the development of the finance system and the provision of financial information. Although some progress has been made, many of the concerns raised by KPMG remain outstanding.

77. The SPA and Police Scotland should now develop and agree a financial strategy in time for the start of the 2014/15 financial year. The strategy should be jointly owned by the SPA and Police Scotland and support should be provided by the Scottish Government where appropriate. The strategy should consider the following:

- The cost of policing across various activities, for example roads policing and serious crime.
- Evidence-based options for achieving annual savings.
- Details of one-off and recurring savings.
- Scenario planning to outline best, worst and most likely scenarios of the financial position with details of assumptions used.
- Details of assets and liabilities and how these will change over time.
- Clear links to other strategies that are key to making savings such as the estates strategy (asset sales), or workforce strategy (voluntary redundancy and early retirement schemes).
- The risks and timescales involved in achieving the savings.

The Scottish Government spent almost £16 million in 2011/12 and 2012/13 on police reform. However, the full costs of restructuring to date are not known

78. The Financial Memorandum estimated the total cost of implementing police reform would be £137 million by 2016/17 with the majority of spending (£95 million, 69 per cent) expected to occur in 2013/14 and 2014/15. The legislation required the Scottish Government to outline the costs of restructuring. These are expected to account for about 20 per cent of total reform costs (£29 million) with the remaining costs expected to be incurred from investments to deliver wider aspects of reform.

79. The Scottish Government has budgeted £147 million for police reform between 2011/12 and 2014/15. This covers the costs of establishing the SPA, voluntary redundancy and early retirement payments, VAT, and other reform-specific spending, including the use of consultants. However, the Scottish Government does not distinguish between the costs specifically associated with restructuring and those arising from wider police reforms as identified in the Financial Memorandum.

80. It is therefore not clear which costs are a direct consequence of introducing a single service and what savings could have been achieved by delivering services differently. By the end of September 2013, the Government had spent £36 million of the £147 million ([Exhibit 7](#)).

Exhibit 7

Scottish Government's budget for police reform, and actual spending.

The Government has budgeted £147 million over 2011/12 to 2014/15 to cover police reform.

	2011/12 (£000)	2012/13 (£000)	2013/14 (£000)	2014/15 (indicative) (£000)	Total (£000)
Budget	1,600	12,047	63,300	70,000	146,947
Spending to date	1,275	14,625	20,536	–	36,436

Note: See [Exhibit 8 \(page 28\)](#) for a breakdown of 2012/13 spend.

Source: Scottish Government

81. The 2012/13 expenditure was primarily on:

- the Scottish Government's contribution to voluntary redundancy and early retirement scheme payments to SPSA and police staff.
- Scottish Government-led and police-led reform projects ([Exhibit 8, page 28](#)).

82. Before restructuring, the eight police forces were exempt from VAT. From 2013/14, the SPA and Police Scotland will generate a VAT liability of approximately £22 million each year which, as central government bodies, they cannot recover. The Scottish Government will provide funding for this from the reform budget until the end of 2014/15. In 2013/14, the VAT liability paid to September was £10.1 million. The Scottish Government has also allocated £10.4 million from the reform budget in 2013/14 for voluntary redundancy and early retirement scheme payments. The remaining budget, approximately £30 million, is intended mainly for ICT costs.

83. Not all costs relating to reform to date have been recorded. The Scottish Government only met the costs of staff working on reform if the individual forces or the SPSA made a successful bid for funding. The SPSA covered the costs for six SPSA staff who formed part of the interim SPA support team up to 31 March 2013 and it is not clear whether individual forces made bids for all their staff who were working on reform.

Exhibit 8

Summary of 2012/13 police reform spending

The Scottish Government spent almost £8 million on voluntary redundancy and early retirement payments in 2012/13.

Project	Spending (£000)	Background
Voluntary redundancy and early retirement contribution	7,660	Scottish Government funding towards the cost of voluntary redundancy and voluntary early retirement for SPSA and police staff. Around £3.1 million relates to costs incurred by the former eight police forces.
Project costs	4,866	Scottish Government and National Police Reform Team projects and reform related costs. Includes £1.8 million of funding associated with the establishment of the SPA, eg pre-1 April 2013 salary costs for the SPA chair and board members, the chief constable, senior officers and support staff.
Scottish Government staff costs	1,300	Scottish Government staff costs associated with police reform.
SPSA ICT staffing	444	Funding for six new roles within SPSA ICT.
Use of consultants	355	Consultancy costs.
Total	14,625	

Source: Scottish Government

Recommendations

The SPA and Police Scotland should continue to work together to:

- agree a financial strategy by the end of March 2014, informed by evidence-based options for achieving savings, and take joint responsibility for its delivery. The strategy should consider:
 - the cost of policing across various activities, for example roads policing or serious crime
 - evidence-based options for achieving annual savings
 - details of one-off and recurring savings
 - scenario planning to outline best, worst and most likely scenarios of the financial position with details of assumptions used
 - details of assets and liabilities and how these will change over time
 - clear links to other strategies that are key to making savings such as the estates strategy (asset sales), or workforce strategy (voluntary redundancy and early retirement schemes)
 - the risks and timescales involved in achieving the savings.

Part 3

Challenges for the future



Key messages

- 1** The Scottish Police Authority and Police Scotland face continuing challenges and risks to delivering the savings required. The lack of flexibility in managing staffing levels, different financial information systems, frequent changes in senior staff and delays in developing some strategies are all contributing to the savings challenge.
- 2** A number of governance issues need to be progressed urgently. In particular, the agreed structure of the SPA needs to be implemented and the quality of the information reported to the board needs to improve before the SPA can deliver effective governance of policing in Scotland.

There are significant challenges and risks to delivering the savings required beyond 2013/14

The SPA and Police Scotland will have to find additional savings because of inflationary and other pressures

84. The Financial Memorandum (based on the OBC) states that police reform could save more than £1.1 billion over 15 years to 2026.¹⁷ The estimated savings expected to be delivered in each year differ with bigger savings required in the first few years. The SPA reported its expected funding would reduce by £46.5 million (four per cent) in 2014/15 and £20.5 million (two per cent) in 2015/16 in the current spending review period in line with savings planned in the OBC.

85. The savings estimated in the OBC did not take account of inflation, pay awards or increments and assumed there would be no further budget reductions (beyond those estimated in the OBC).¹⁸ In addition, how the VAT liability from 2015/16 will be funded is not known – this will be decided by the Scottish Government as part of the next spending review.

86. In the absence of a longer-term financial strategy, we estimate the SPA and Police Scotland will have to save an additional £21 million in 2014/15 (in real terms), taking the savings requirement up to £68 million (six per cent) for that year; and £42 million in 2015/16, resulting in a total savings requirement of £63 million (six per cent).

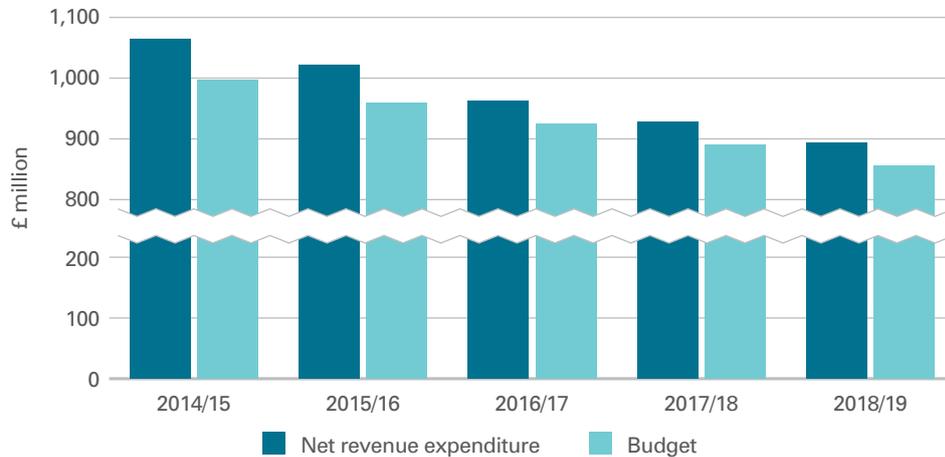
87. The effect of these additional cost pressures and potential budget cuts continues from 2016/17 onwards. We estimate the SPA and Police Scotland may have to find a further £112 million of savings from 2016/17 to 2018/19 ([Exhibit 9, page 30](#)).

better
information
is needed
to support
effective
scrutiny
of police
performance

Exhibit 9

Forecast SPA annual savings 'gap' 2014/15 to 2018/19 (2013/14 prices)

Significant additional savings are required in the next few years if the SPA and Police Scotland are to remain within budget.



Note: We have estimated net revenue expenditure by assuming: an annual one per cent rise in police officer and staff costs each year; a one per cent rise in annual increments; the VAT liability reverts to SPA in 2015/16; and general inflation applied to non-staff expenditure. We have assumed no changes to external income. Budgets for 2014/15 and 2015/16 are taken from the Scottish Government's draft budget. Budgets from 2016/17 onwards assume reductions in line with projections by the Centre for Public Policy for Regions. All figures reflected in 2013/14 prices.

Source: Audit Scotland



The lack of flexibility over managing staff and officer numbers and terms and conditions increases the challenge in achieving the required savings

88. The Scottish Government's commitment to maintain police officer numbers at 17,234 and no compulsory redundancies for police staff limits the SPA and Police Scotland's flexibility to deliver savings.¹⁹ The Government also confirmed they will not introduce the Winsor Reforms on police officer terms and conditions that are currently being implemented in England and Wales.

89. Police officer costs account for 64 per cent of the budget and police staff for another 20 per cent, while property and supplies make up only 11 per cent. Some savings will be achieved through reducing the number of senior police officer posts and more efficient management of property and purchasing. However, one of the main methods to achieve savings will be through reducing police staff costs including the use of voluntary redundancy or early retirement schemes.

90. The lack of an overall workforce strategy for Police Scotland and the SPA and delays in decisions on recent applications for voluntary redundancy or early retirement increase the risk that the required savings, in particular after 2013/14, will not be delivered or managed in a sustainable way.

91. Our recent report, *Managing early departures from the Scottish public sector*, identifies a number of good practice principles for public bodies to follow when faced with the need to reduce staff numbers.²⁰ Our forthcoming report, *Scotland's*

public sector workforce, will include recommendations on the further steps public bodies need to take to manage their workforce efficiently and effectively.²¹

Significant variations in previous systems make it difficult to ensure planning decisions are based on reliable data

92. The SPA and Police Scotland inherited many different systems for delivering essential business support functions, such as finance, payroll and HR, from the previous eight police forces and the SPSA. We recognise it takes time to rationalise systems but there has been limited progress in amalgamating these or creating new support systems. For example, ten separate HR systems are still in operation and there is no central payroll system or financial ledger.

93. The diversity of the previous systems makes it difficult to obtain consistent data on employee numbers and attendance records. The compilation of financial information is time-consuming and increases the risk of errors or fraud.

94. Developing new systems or merging existing ones requires the SPA and Police Scotland to be clear about their business, information and ICT requirements. The loss of police staff familiar with the old systems makes this process more difficult. This presents a significant challenge to the SPA and Police Scotland in developing new business support systems to ensure they have the information they need to manage policing effectively.

Delays in agreeing strategies and plans may affect how quickly savings are delivered

95. The changes in responsibility for support functions between the SPA and Police Scotland delayed the development of longer-term strategies for key areas such as workforce, finance, procurement, estates and ICT. These strategies are important in ensuring that decisions about capital investment, procurement and staffing levels contribute to delivering savings in a way that is consistent with the overall strategic policing priorities.

96. It is difficult for the SPA board to make decisions on individual proposals for delivering savings in the absence of these agreed longer-term strategies. For example, Police Scotland prepared a business case for a new policing centre in Dalmarnock, identifying the significant savings which could be generated by enabling a number of existing buildings to be sold. The SPA board has been reluctant to make a decision specifically on Dalmarnock without knowing how it would fit into a longer-term strategy on managing the police estate across Scotland or whether it meets the requirements for Scottish Government approval. This delay reduces the opportunity for making the early savings identified in the original business case.

97. The SPA and Police Scotland have approximately 1,500 contracts in use to provide supplies and services agreed by the eight previous forces and SPSA. Up to 600 of these contracts are due to expire, or can be amended, during 2013/14. The SPA and Police Scotland hope to agree 170 contracts in 2013/14 as part of a rationalisation exercise. Procurement proposals have been developed but have yet to be submitted to the SPA board. Some contracts for equipment and supplies may have long lead times for delivery (eg, for police uniforms) and the SPA and Police Scotland need to manage this to ensure the police have sufficient support and other equipment in place. There is a risk that individual contracts continue to be signed in a piecemeal fashion to ensure there is business continuity, and the opportunity to deliver savings in the short term is lost.

98. Taken together, the size of the budget reduction, the lack of flexibility in managing staffing levels and delays in decision-making pose a significant challenge for the SPA and Police Scotland in meeting their budget in 2014/15 and beyond.

Several important governance issues need to be finalised urgently

The future structure of the SPA needs to be finalised

99. The SPA board agreed in June 2013 to take a different approach to delivering its responsibilities for the governance of policing, focusing on strategy and policy, and the scrutiny of police performance. The SPA would only directly deliver those services required by the Act, ie forensics, custody visiting and complaints. In August 2013, the board agreed the principles for how the SPA would operate, and included a timeline for the appointment of permanent staff for the SPA.²²

100. The revised approach has implications for the number and expertise of staff required to support the board in meeting its responsibilities. The SPA needs to develop these arrangements in close consultation with Police Scotland and the Scottish Government. On 2 October 2013, the board approved the director-level structure of the SPA and work remains ongoing to assess the detailed organisational design, staffing and accommodation requirements. Similarly, Police Scotland needs to finalise its arrangements for delivering support functions such as HR, finance and ICT, for which it became responsible in August 2013.

101. The change of direction and delays in decisions on SPA's staffing arrangements mean that senior appointments have continued to be made on an interim basis. The current chief executive is the second interim appointment for this post. Other senior appointments in both SPA and Police Scotland are also temporary, including the SPA's director of finance (the third director of finance since 1 April 2013) and Police Scotland's director of finance. The timetable agreed by the board in August 2013 expects permanent appointments for the most senior SPA staff to be made by the end of December 2013, and for permanent second and third tier managers to be appointed by the end of March 2014. It is important this timetable is kept. We highlighted the difficulties that organisations have when interim appointments are made in our report *Learning the lessons of public body mergers*.

The Scottish Government, the SPA and Police Scotland need to agree formally how they will work together

102. The *Scottish Public Finance Manual* requires the Scottish Government to agree a framework document with all individual central government bodies which it sponsors. These outline the respective roles and responsibilities of the Government and the individual body and are an important step in developing the positive relationships necessary for effective governance. The Scottish Government and the SPA prepared a draft framework in November 2012 based on the SPA's initial approach to governance but it was not formally agreed. The Scottish Government and SPA are progressing a revised framework based on the new arrangements and plan to submit this to the SPA board for approval at the end of October 2013.

103. Although the SPA board agreed in August how it would operate in future, the respective roles and responsibilities of the Scottish Government and Police Scotland in supporting the new approach also need to be agreed. This is particularly important given the complexities of the governance arrangements for policing and the previous difficult relationships. In September 2013, the SPA

developed a proposed engagement plan to help improve working between the SPA and Police Scotland based on discussions between board members and the chief constable. The Scottish Government reported it was drafting a similar plan to outline engagement between the Government, the SPA and Police Scotland. It is important these plans are agreed soon as they will help provide the building blocks for a collective understanding of how to deliver effective governance for policing.

The SPA and Police Scotland need to ensure appropriate financial controls and internal audit arrangements are in place

104. The SPA had to prepare accounts for the six months of expenditure it incurred from October 2012 to March 2013. It did not submit these to its appointed auditors until September 2013. The auditors have also identified ongoing concerns about the longer-term arrangements for internal audit, an important element of effective governance.

105. The chief executive of the SPA is the accountable officer, and is therefore personally answerable to the Scottish Parliament for:

- the propriety and regularity of SPA's finances
- using its resources, such as money, assets and people, economically, efficiently and effectively.

106. As the chief constable controls most of these resources but does not report to the accountable officer, it is particularly important that effective financial controls are in place and that the accountable officer has confidence in the financial information being reported.

107. On 1 April 2013, the internal audit function of Strathclyde Police was transferred to the SPA. Additional support is being provided by PwC including providing an interim head of internal audit. No internal audit reviews for either the SPA or Police Scotland have been issued in the first six months of 2013/14. The accountable officer is likely to gain only limited assurance on the effectiveness of internal processes in the absence of internal audit reports.

108. The SPA and Police Scotland have lost a number of senior staff through voluntary redundancy, early retirement or other career moves. Many of these people had accumulated significant knowledge and experience, which will be difficult for the SPA and Police Scotland to replace in the short term. In particular, the loss of financial skills is a significant risk during a period where substantial savings are required and the organisations are still in transition.

Better information is needed to support effective scrutiny of police performance

109. The SPA board needs comprehensive, reliable and transparent financial and performance information if it is to provide effective governance and scrutiny of policing and forensic services.

110. The papers provided by the SPA senior management and Police Scotland for consideration by the SPA board have not always supported effective decision-making. For example, financial and performance information are rarely linked, there are inconsistencies in how financial information is reported and there is limited use of trend information. The difficulties in collating good data

on non-operational areas have contributed to this. The overall quality of papers is improving, but there is scope to make further improvements. SPA board members need to clearly identify the information they need to make decisions and Police Scotland and the SPA senior management team need to provide that information in a way that is clear, transparent and promotes understanding.

111. The SPA needs to know how the police service is performing to fulfil its statutory responsibility to hold the chief constable to account. Police performance was previously reported through the Scottish Policing Performance Framework (SPPF) which contained a range of performance indicators covering:

- service response
- public reassurance and community safety
- criminal justice and tackling crime
- governance and efficiency.

112. Each force reported performance against the SPPF indicators quarterly, and the Scottish Government Justice Analytical Services compiled the annual report. Most of these indicators have been incorporated into Police Scotland's performance management system (SCOMIS).

113. Police Scotland extracts information from SCOMIS to prepare performance reports at a national level for the board and locally for reporting to councils and community planning partners. The Scottish Government also publishes statistical bulletins on aspects of policing, for example recorded crime and detection rates.

114. Now there is a single national service, the Scottish Government is concerned that information in performance reports to the board may not be consistent with information published in its statistical bulletins. As a result, performance reports to the SPA board are now more selective and have less trend and comparative information than those presented previously to joint boards and police authorities.

115. In March 2013, the SPA board approved an outline approach to performance reporting. The SPA, Police Scotland and the Scottish Government now need to agree the detailed performance framework, which they are currently developing. Performance reporting should be clearly linked to the strategic policing plan and annual police plan, the Scottish Government's national performance framework and the three objectives for reform.

116. The Scottish Government and the SPA agreed in September 2013 that two members of staff involved in preparing a performance reporting system for HMICS would be transferred to SPA. This additional resource should enable final agreement on performance reporting to be reached quickly and performance information to the board should improve.

117. Final agreement is also needed on how the SPA, Police Scotland and the Scottish Government are going to assess and report on whether the objectives of reform and associated benefits are being delivered. The Scottish Institute for Policing Research is funding some independent research into how police reform is affecting perception among different communities of policing in their area.

118. In March 2013, Police Scotland proposed a comprehensive benefits strategy and benefits realisation plan. This was acknowledged by the gateway reviews as being of a high standard. This included a range of approaches and indicators to assess progress against the objectives for reform. Although work has been progressing on collecting relevant data since then, the overall plan for capturing and reporting benefits has not yet been finalised. Delays have been caused through loss of staff and a lack of ownership among the main stakeholders.

119. A significant amount of public money and staff time have been spent in delivering a single police service. It is important that the Scottish Government, the SPA and Police Scotland clearly demonstrate what has changed in how Scotland is policed and how communities, officers and staff are being affected.

Recommendations

The Scottish Government, SPA and Police Scotland should continue to work together to:

- develop positive and effective working relationships, based on a mutual understanding of and respect for each other's roles, including agreement on the responsibilities relating to sponsorship, governance and delivery of police services
- agree how police performance will be reported to support effective scrutiny
- agree and implement arrangements for monitoring and reporting progress on the benefits of reform by the end of March 2014 and take collective responsibility for delivering these.

The Scottish Government and the SPA should continue to work together to:

- ensure that all the agreed proposals on the SPA's organisational requirements are fully implemented by the end of March 2014, including the appointment of permanent senior staff.

The SPA and Police Scotland should continue to work together to:

- agree long-term strategies in the main areas that will contribute to savings including estates, workforce, procurement and ICT.

The SPA board should:

- clearly set out the information it requires from the SPA and Police Scotland in order to provide effective scrutiny, challenge and support.
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Endnotes



- ◀ 1 The Act also created a single Scottish Fire and Rescue Service, bringing together the eight fire and rescue authorities and the Scottish Fire College. This report only focuses on the delivery of police reform.
- ◀ 2 *Police Officer Quarterly Strength Statistics Scotland*, Scottish Government, June 2013.
- ◀ 3 Police and Fire Reform (Scotland) Act 2012.
- ◀ 4 [Learning the lessons of public body mergers \(PDF\)](#)  Audit Scotland, June 2012.
- ◀ 5 [The Scottish Police Services Authority \(PDF\)](#)  Audit Scotland, October 2010.
- ◀ 6 The aim of the sustainable policing team was to identify a sustainable model of policing in the long term which would deliver policing services to a high standard in the most cost-effective way. It was led by senior police officers.
- ◀ 7 The police-led reform team was initially led by the Association of Chief Police Officers in Scotland (ACPOS). Latterly, the police-led team became known as the National Police Reform Team.
- ◀ 8 From October 2012, the Scottish Policing Board Police Reform Sub-Group became known as the Police Reform Stakeholder Group.
- ◀ 9 The Public Appointments Commissioner for Scotland (PACS) is required to oversee the appointments process for the SPA chair and SPA board members in accordance with the Commissioner's code of practice.
- ◀ 10 [Best Value in police authorities and police forces in Scotland \(PDF\)](#)  Audit Scotland and HMICS, November 2012.
- ◀ 11 See, for example, [The Scottish Police Services Authority \(PDF\)](#)  Audit Scotland, October 2010, and [The role of boards \(PDF\)](#)  Audit Scotland, September 2010.
- ◀ 12 We use the term police staff to describe all employees who are not warranted (uniformed) police officers.
- ◀ 13 [Best Value in police authorities and police forces in Scotland \(PDF\)](#)  Audit Scotland and HMICS, November 2012. A total of £33.3 million efficiency savings were reported which includes both cash and time-releasing efficiencies.
- ◀ 14 The exclusion of inflation follows the standard approach taken by the Scottish Government in preparing business cases across the public sector and follows guidance issued by HM Treasury.
- ◀ 15 The SPA and Police Scotland report the ongoing savings position at each public board meeting.
- ◀ 16 *Report on the Financial Memorandum of the Police and Fire Reform (Scotland) Bill*, Scottish Parliament, March 2012.
- ◀ 17 Net recurring savings.
- ◀ 18 The exclusion of inflation follows the standard approach taken by the Scottish Government in preparing business cases across the public sector and follows guidance issued by HM Treasury.
- ◀ 19 Statutory regulations mean that police officers cannot be made redundant.
- ◀ 20 [Managing early departures from the Scottish public sector \(PDF\)](#)  Audit Scotland, May 2013.
- ◀ 21 *Scotland's public sector workforce*, Audit Scotland, due to be published in late November 2013.
- ◀ 22 *Organisational requirements: principles and practice of Scottish Police Authority 'steady state' operations*, SPA, August 2013.

Appendix 1

Methodology



The focus of our work was to assess the efficiency and effectiveness of the planning and early implementation of the new arrangements for police services in Scotland. Our audit focused on how new governance arrangements for police were developed and how these align to good practice. We also reviewed the initial costs and savings generated from police reform and provide a high-level review of planned longer-term costs and savings. We will keep the progress of police reform under review in our forward work programme.

As the reform process was in its early stages, we did not assess in detail any of the following:

- Planned longer-term costs and savings, or the SPA and Police Scotland's ability to deliver them.
- The Scottish Government's three objectives of reform and whether these are being achieved.
- The SPA or Police Scotland's operational performance.

Our audit methodology covered the following:

- A review of a range of published information, including the Police & Fire Reform (Scotland) Act, the Outline Business Case, SPA board minutes and papers.
- A review of supporting documents and correspondence received from the SPA, Police Scotland and the Scottish Government.
- Interviews with senior staff in the SPA, Police Scotland and the Scottish Government.
- Interviews with senior police officers and SPA board members.

We also analysed the impact of cost pressures on the SPA's budget and savings targets. This was done by estimating the SPA's spending levels and budget over the period 2014/15 to 2018/19 using the following assumptions:

- A two per cent rise in staff costs each year covering annual increments and cost of living increases.
- Annual budget reductions using analysis carried out by the Centre for Public Policy for Regions.
- The inclusion of irrecoverable VAT costs from 2015/16 onwards.
- General inflation applied to non-staff costs.
- No surplus or deficit in savings carried forward into the following year.

Appendix 2

Progress against the recommendations from our report *Learning the lessons of public body mergers*



Recommendation	Achieved?	Comment
The Scottish Government should:		
<p>Appoint the permanent chair and chief executive at the earliest opportunity – ideally at least six months before the start date of the new organisation – to allow them to progress important decisions and contribute to establishing a clear and strong vision, structure and plan for the new organisation.</p>	 Yes	<ul style="list-style-type: none"> The Scottish Government ensured both the chair and the chief constable were appointed at least six months before the start date. The interim chief executive for the SPA was appointed less than five months before replacing a previously appointed interim lead officer.
<p>Work together with organisations' leadership teams to progress different aspects of the merger in a cohesive way.</p>	 In progress	<ul style="list-style-type: none"> Individual projects were clearly identified and allocated to either the Scottish Government or police reform teams. The Scottish Government, SPA and Police Scotland did not always work effectively together during the reform process, which hampered planning.
<p>Identify the skills, knowledge and expertise needed to lead the new organisation and, with merging bodies, use this to assess – and if necessary – supplement – board and senior management capability.</p>	 Yes	<ul style="list-style-type: none"> The Scottish Government identified a number of key skills as being relevant for board members in the recruitment process. The Government did not consider experience of overseeing change as one of the criteria for selection.
<p>Identify, when planning the merger, the specific improvements it expects each merged body to deliver and the criteria it will use to assess this.</p>	 In progress	<ul style="list-style-type: none"> The Scottish Government articulated the strategic objectives of the reform clearly and consistently. It has not yet finalised appropriate performance measures or timescales or how the benefits will be delivered.
<p>Develop robust costs and savings estimates for future mergers and, with merging bodies, regularly review and revise these as necessary as the merger proceeds.</p>	 No	<ul style="list-style-type: none"> The Scottish Government produced an Outline Business Case in September 2011, which included estimated costs and savings for reform. These estimates were not updated nor a full business case prepared.

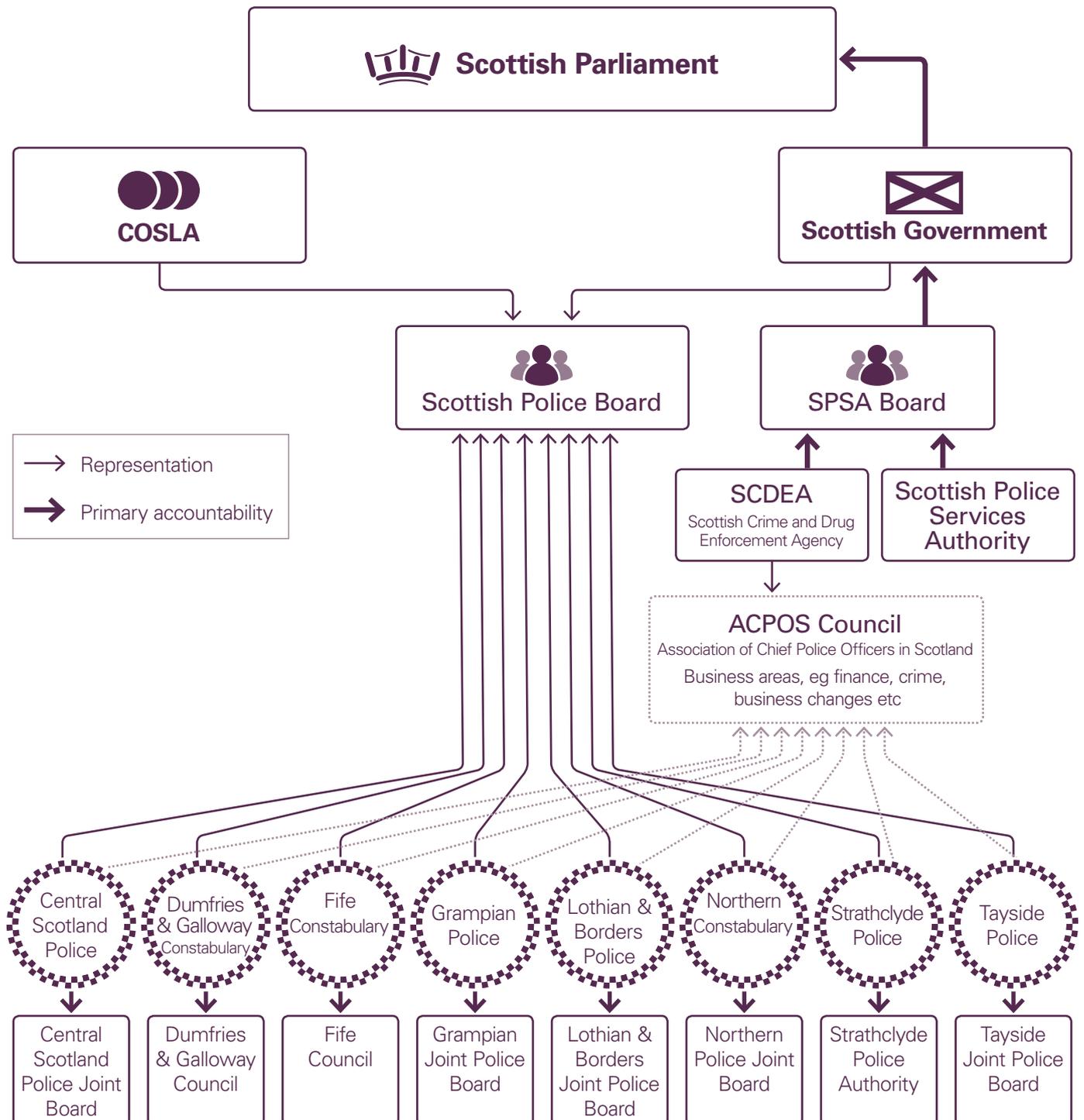
Recommendation	Achieved?	Comment
Merging bodies should:		
<p>Ensure merger plans extend beyond the start date of the new body – to ensure business as usual continues and to plan for subsequent organisational development that is sufficient, effective and focused on delivering improvements.</p>	 In progress	<ul style="list-style-type: none"> Police Scotland reports show that policing services were maintained during the transition to a single police service. Many SPA and Police Scotland strategies and plans for post-1 April 2013 remain in development and decisions have been delayed due to changes in governance arrangements.
<p>Schedule a post-implementation review within six months of the start date of the new body to identify lessons learned, monitor progress in meeting the strategic aims and objectives, and assess if the merger is on course to deliver the long-term benefits. The results of the review should be reported to the Scottish Government to support wider learning and sharing of lessons.</p>	 Not started	<ul style="list-style-type: none"> The SPA and Police Scotland have no immediate plans to carry out a post-implementation review as the governance arrangements are not yet finalised.
<p>Develop and adopt a corporate plan for the new organisation within 12 months of its start date. The plan should provide a strong, strategic focus on the purpose and benefits of establishing the new organisation and the further organisational change and development that is required to secure these benefits.</p>	 In progress	<ul style="list-style-type: none"> The SPA published a strategic plan in March 2013. This is supported by an annual police plan. The SPA plans to review and update the strategic plan within the first year of the organisation. The first strategic plan does not identify the further organisational changes required to deliver the objectives of reform. The annual police plan identifies some developments arising from reform, but not how savings will be delivered.
<p>Develop performance reporting systems and key performance indicators that measure the benefits expected from the merged body and aim to publicly report performance information no more than two years after the start date of the new body.</p>	 In progress	<ul style="list-style-type: none"> The SPA and Police Scotland have yet to agree a structured approach to performance reporting, key performance indicators or how they will measure progress towards achieving the objectives of reform. Police Scotland developed an internal performance management system (SCOMIS) for operational performance. Information from the system is used to provide updates on performance to the SPA board.
<p>Collect views from users, staff and stakeholders on performance and use this to measure improvement and influence service delivery.</p>	 In progress	<ul style="list-style-type: none"> The SPA and Police Scotland consulted widely on the strategic police plan and annual police plan. The delays in agreeing staffing levels and governance arrangements are likely to have an adverse impact on police officer and police staff morale. There are no immediate plans to carry out a comprehensive staff survey although Police Scotland collects views of staff through other means such as web chats and exit interviews.

Appendix 3

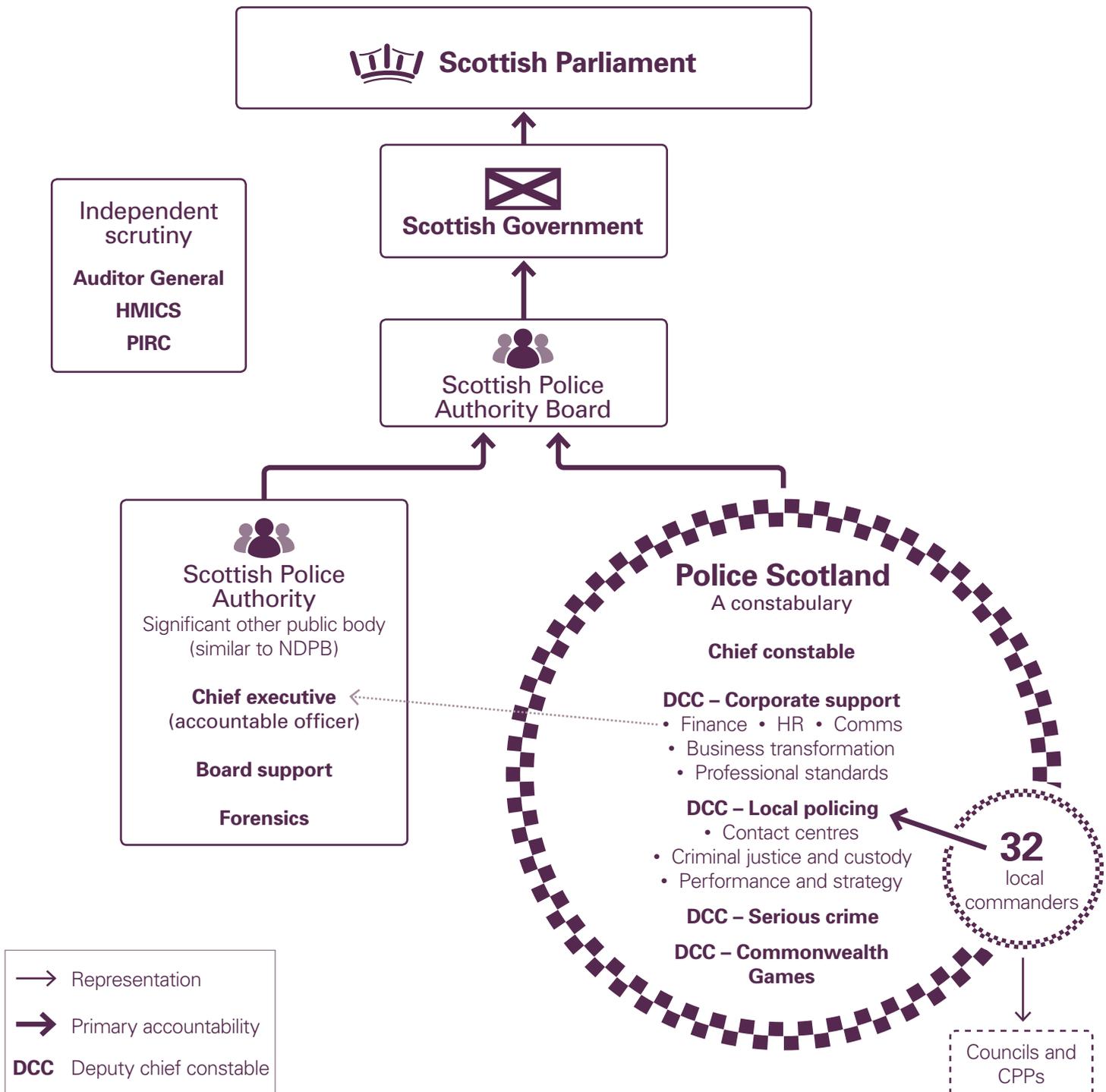
Arrangements for policing in Scotland



Before 1 April 2013



New arrangements



Police reform

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