

ANDREW FLANAGAN INTRODUCTORY REMARKS

Public Audit & Post-Legislative Scrutiny Committee
Thursday 2 March 2017

Good morning and thank you for the opportunity to make some introductory remarks.

The written submission provided last week by John Foley provided further context for the 2015-16 audit. I will restrict my remarks today to the development of the operational and financial strategy to bring policing in Scotland onto a sustainable footing.

As the Auditor General has indicated to you, there is a projected revenue deficit in the policing budget. Our own detailed work indicates that without an effective transformation plan, that deficit would be around £60 million in 2017-18.

The Auditor General has given a projection of what that deficit might look like over the remaining years of this Parliament, and I take no issue with her projections although again these would be on the basis that no remedial action would be taken.

As the Scottish Government has not conducted a spending review beyond 2017-18, it is more challenging to state with accuracy what deficits may be beyond next year as that would necessitate an assumption about funding levels. Given the indications from Scottish Government that they will protect the policing budget in real terms, our assessment is that a deficit of around this level would be ongoing.

The key variable in all of this is the assumption that there will not be an effective transformation plan.

I would like to be clear with Committee members today that both the SPA and Police Scotland have identified the clear strategic need for just such transformation plan.

Earlier this week, we began that process, addressing the twin issues of service development and financial sustainability with the launch for public consultation of our 10 year strategy for policing – Policing 2026.

Subject to the outcome of that consultation, Police Scotland will develop 3-year implementation and financial plans, and SPA will approve these and hold them to account for delivery of them.

The Scottish Government has given the SPA a commitment to continued funding to support reform and change of £61 million in 2017-18. That is very welcome.

Our initial focus for that investment will be on the transformation of Police Scotland's corporate services and business support functions, and on improvements in officer productivity.

Corporate services and business support functions will be leaner and operate with fewer people as they are transformed. We will support staff through that process with a continued commitment to consultation, no compulsory redundancies, and retraining where possible.

There will be no change to the number of police officers next year, but as operational productivity increases Police Scotland will be able to reduce the levels of recruitment of police officers over 2018-19 and 2019-20.

Through its governance and scrutiny role, the SPA will ensure that phased and modest reductions in officer recruitment will take place only after we have seen demonstrable improvements in Police Scotland's operational capacity.

We do not believe it is possible to move faster to achieve financial balance. There are only three major cost elements; officer pay, staff pay and non-pay costs. Officers cannot be made redundant, redundancy for staff is not compulsory, and the current VR/ER scheme often results in up front costs equivalent to a year's salary. Non-pay costs are not sufficiently large to realise the required level of savings, and in any event we are often locked into contracts of more than one year in length.

The only realistic way of moving towards a position of financial balance by the end of 2017-18 would have been to begin to reduce officer recruitment without an effective transformation plan being in place and before improvements in officer productivity are realised.

This was not an approach that the SPA considered as prudent or consistent with our responsibilities to maintain policing or achieve best value. Nor would it have been one that the Chief Constable considered acceptable in terms of operational viability and risk.

Instead, we expect that the early benefits of investments in 2017-18 will result in a reduction of the predicted operating cost deficit, but will not immediately eliminate it. However, we are confident that it will demonstrate real progress towards arriving at a financially sustainable position by 2020.

It will then be a matter for the Chief Constable at that time to demonstrate to the SPA the required proportions of staff and officers based on his or her operational assessment of threat, risk and harm - as well as available budget - and that key performance measures can be delivered.

These are the assumptions underpinning our strategy, however it is important to recognise it is a draft strategy. We have

embarked upon a 10 week consultation and our assumptions will be refined and our plans finalised in light of the views we receive.

The SPA board will then recommend a final strategy in June to the Cabinet Secretary for Justice for approval. Following which, detailed three-year implementation and financial plans will be developed for approval by the SPA.

I am conscious, Convener, that the Committee has rightly focused on leadership in its consideration of this and previous audit reports.

It is a key leadership responsibility to set out a long-term direction for the service so that the decisions taken, and the priorities set, in the short to medium term are the right ones. In our strategy document, I believe we have set out a very cogent and compelling proposal for doing that.

I also accept that the other half of that equation is ensuring that we implement change effectively, and deliver improved outcomes for the public and workforce alike. The refreshed leadership of both the SPA and Police Scotland that the Chief Constable and I have worked together to build should also provide increased confidence on that front.

We believe that the implementation of this strategy, the delivery of financial sustainability and reinforcing the financial leadership will resolve the matters raised by the Auditor General.

Thank you.