

CENTRAL SCOTLAND JOINT POLICE BOARD

**Subject: COMPREHENSIVE SPENDING REVIEW 2010 (SR2010) –
SCENARIO PLANNING**
Meeting: CENTRAL SCOTLAND JOINT POLICE BOARD
Date: 27 AUGUST 2010
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1. INTRODUCTION

1.1 This purpose of this report is to ensure that members are fully sighted on the potential scale and impact of the financial implications arising from the anticipated future public sector fiscal constraint; afforded the opportunity of contributing to discussions on these issues and fully informed to facilitate wider debate on Government prioritisation, by outlining the options for reducing expenditure together with the resultant impact on staffing and ultimately service delivery.

1.2 In this context, it is pertinent to note that Central Scotland Police has achieved significant efficiencies, exceeding Government targets year on year. Over the last 2 years of the current spending review period, annual savings of almost £2.4m have been achieved against a target of £1.9m. This is on top of £2.7m of efficiency savings achieved in the previous spending review period. These efficiencies have been achieved through a number of initiatives, some of the most notable being:

- Reductions in absence following the introduction of new procedures
- Reductions in overtime spend
- Rationalisation of administrative functions
- More efficient call resolution and communication processes
- Workforce modernisation (civilianisation)
- Introduction of the Priority Crime Unit
- Restructuring and reduction of managerial posts

1.3 At the same time, the Force has absorbed new demands, as outlined in successive budget reports, for example:

- Offender Management
- Child Protection
- Specialist Investigations and E-crime
- Domestic Abuse
- Adult Support and Protection and Mental Health
- Terrorism
- Serious Organised Crime
- Firearms
- Licensing (Scotland) Act 2005

- The current economic climate and resultant recession
 - Violent crime
 - Population growth exceeding the Scottish average
 - Road casualty reductions - ambitious Scottish Government targets
- 1.4 Over recent years, the Force can evidence a sustained level of improved performance in a wide range of areas such as crime reduction/detection, road casualty reduction, public protection, tackling antisocial behaviour & disorder and delivering a high quality of service with a significant investment in community based policing. In comparison to the Scottish average, the Force has lower crime rates per 10,000 of population and higher detection rates across the majority of crime categories. The Force sits at some 9% below the national average in terms of funding per head of population.
- 1.5 The Force, supported by the Board, therefore, can demonstrate that it is an efficient and effective organisation, which is dealing successfully with increasing demand. In the face of significant budget cuts, there are obvious limitations on how resources can be reduced without impacting on service delivery and performance.
- 1.6 This budget planning process has been marked, nationally, by laudable aspirations of achieving these significant cuts whilst protecting 'front line services' and with 'no impact on service delivery'. Clearly, however, there has to be an honest, professional appraisal of the reality that we face. If the cuts are as deep as now anticipated, there will be a significant impact on service delivery as we currently know it. The detail of what that may look like will only be known post the budget settlement, when short, medium and long term staff projections can be used to develop a new model of policing for Central Scotland Police. That work is currently ongoing within the force.

2. POTENTIAL SCENARIOS

Whilst it is clear that there will be significant cuts in public sector budgets in 2011/12 and beyond, there has been, and there remains, some uncertainty on the depth and duration of those cuts. The following are the scenarios around which the Force has planned.

2.1 Scenario A

Prior to the 2010 UK General Election, the planning model applied in the Scottish public sector, as developed by the Improvement Service, was a 12% real terms reduction in revenue funding over the 3 years of the spending review period. On this basis, excluding loans charges and assuming the same level of constituent authority support, the Force's revenue budget would reduce by approximately £2m per annum. This scenario is now no longer considered able to provide the necessary cuts.

2.2 Scenario B

In the emergency UK budget presented to the Westminster Parliament on 22 June 2010, however, the Chancellor of the Exchequer announced that: *"We have committed to providing the National Health Service with real increases throughout the Parliament and we will honour our international aid obligations to the poorest in the world. Once these are taken into account, the Budget figures imply that other departments will face an average real cut of around 25 per cent over four years."* If this is applied evenly over this period the real terms reduction of 6.25% equates to approximately £3m per annum for Central Scotland Police.

The level of protection applied to the National Health Service in Scotland is a matter for the Scottish Government to decide and, all other things being equal, the extent of reductions in other public sector services would be less severe if NHS is not protected (overall it would be of the order of a 16% real terms reduction over four years rather than 25%). How this will unfold remains to be seen.

2.3 Scenario C

At a recent meeting (5 July 2010) with Chief Constables, the Scottish Government Justice Department advised that Forces should plan for a real terms reduction in year one (2011/12) of between 8% and 12%, followed by the 4% reductions in the years thereafter. Applying the same principles as above, this would mean a real terms reduction of between £4m and £6m in year one.

2.4 Scenario D

Since then, based on the "Outlook for Scottish Government Expenditure July 2010" document published by the Office of the Chief Economic Adviser, ACPOS and Scottish Government have agreed a planning model of real terms reductions of 9% in year one followed by 5% in each of years two to four (a total of 24%).

2.5 This range of potential scenarios illustrates the challenges for all organisations in the public sector to plan future service models in what remains an uncertain landscape. Indeed, since this paper was prepared, the Independent Budget Review offers a further scenario of a reduction between 5.7% and 10% in general public sector employment over the four years from 2011/12, albeit this is based on assumptions of pay freezes in the first two years and pay restraint in the following two years, both of which have yet to be considered. Some clarity will come when the Comprehensive Spending Review is announced on 20 October 2010, following which the Scottish Government will confirm the settlement for Scottish public sector organisations. The final outcome will, of course, be a matter for the Scottish Government but, as highlighted in the Independent Budget review, it follows that protection of any sector or policy area will clearly reduce resources available to other parts of the public sector, including policing.

- 2.6.1 What is absolutely clear is that as 87% of the police budget is spent on staff (a significantly higher proportion than the wider public sector), the bulk of any savings will be centred on job cuts for both police officers and police staff. To put this into stark focus, the non staff element of the budget (13%) would be required almost in its entirety to meet Scenario A and would only meet the first two years of the remaining three Scenarios. In summary, significant job cuts will be required, with a commensurate risk to the style and level of policing that we currently provide.

3. COST REDUCTION STRATEGY

- 3.1 In order to achieve the levels of savings suggested above, it is anticipated that some forms of collaborative working and/or structural change will be required. Therefore the process of identifying potential savings is being progressed under the following broad headings:

- In-Force savings
- Regional collaboration – police specific
- Regional collaboration – cross sector
- National – ACPOS

The view generally held is that the collaborative and national approaches may yield savings from year 2 onwards, therefore the assumption has been made that all of the year one savings will have to be achieved from within the Force. In more general terms, it is assessed that the bulk of the significant savings required will have to come from in-force cuts, with the other avenues, despite commonly held perceptions, offering only modest potential. The following paragraphs expand further on the work being carried out to achieve the necessary savings.

3.2 In-Force

- 3.2.1 Over the last few months the Force has embarked upon a programme of work aimed at identifying measures which can be taken where cost savings can be made which have the least impact on first, service delivery, and second, staff.
- 3.2.2 In terms of non-staff costs, it is assessed that potential savings of £1m may be possible. Whilst the broad areas itemised in the table below have been identified, it should be noted that, thus far, the assessment process has only confirmed up to £660K of these and this should be regarded as on going work. It follows that any short fall in these non-staff savings will have to be met by further cuts in staff costs.

Potential Non-Staff Cost Reductions

Reforms	£'000
Reduce training/conferences	65
Reduce occ health provision to core service	<u>150</u>
	<u>215</u>
Efficiency	
Reduce uniform issue	50
Reduce current laundry contract	15
Reduce cleaning specification	10
New long term liability insurance contract	100
New vehicle insurance arrangements	100
Reduce postage	10
Review legal advice arrangements	<u>30</u>
	<u>315</u>
Economy	
Reduce spend on fixtures & fittings	10
Reduce spend on advertising, printing etc	65
Reduce spend on papers/journals	5
Reduce capital assets	245
Force HQ Canteen - Withdrawal of Subsidy	<u>50</u>
	<u>375</u>
Income Generation	
Maximise mast site rental income	50
General Review of all Charges	<u>50</u>
	<u>100</u>
Total	1,005

3.2.3 Also, it is important to note that even much of these non-staff savings cannot be achieved without some detrimental consequences in relation to service delivery or organisational efficiency.

3.2.4 In particular, it is worth highlighting that the potential savings of £245K from 'reducing capital assets' means, in real terms, reducing the Force estate through the closure of police offices.

3.2.5 Of the £245K identified, £185K relates specifically to properties and although measures to reduce energy usage and maintenance are being fully explored, in order to achieve this level of cost reduction, rationalisation of the estate would be required. Examples of the potential savings that could be achieved by property closures are as follows:

• Aberfoyle	£ 5K
• Alloa SE	£ 3K
• Bannockburn	£30K
• Blanefield	£ 5K
• Bo'ness	£35K
• Bridge of Allan	£10K
• Camelon	£ 5K
• Maddison	£47K
• Sauchie	£ 5K
• Tillicoultry	£ 5K
• Tullibody	£35K

Total	<u>£185K</u>
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3.2.6 No decisions have yet been made on any of these options. Many are undesirable; some may be impossible; all will have significant implications for local communities; some will have significant implications for the force deployment model; many will require consideration around the roles of front counter staff. In some respects decisions on property can only be taken once the budget has been set and there is clarity on what the force profile looks like; that determining our deployment model and, as a consequence, our property needs.

3.2.7 Work is planned with other strategic partners to ensure that a Forth Valley wide perspective is taken to avoid short term decisions being taken and to ensure that opportunities for sharing premises are maximised.

3.2.8 Capital Receipts from any disposals are likely to be modest in view of the current market conditions, exacerbated by the likelihood that other public sector organisations will also be disposing of assets.

3.2.9 What is clear is that non-staff savings will not achieve the levels of savings in any of the scenarios indicated in paragraph 2 above. Savings in staff costs will be required in year one.

3.2.10 Appendix 1 attached to this report provides a high level summary of the staffing implications against the four scenarios referred to in paragraph 2. The amounts shown exclude one-off redundancy/early retirement costs for police staff.

3.2.11 The reduction of police staff posts inevitably leads to considerable unbudgeted expenditure for both redundancy and (where applicable) pension capital costs. Whilst the Board has not yet agreed a

redundancy policy, redundancy payments will mirror those across the police service, which are based on statutory entitlements.

3.2.12 Payments to the Local Government Pension Scheme for those retiring or being made redundant and who are eligible for immediate payment of their pension must be made either as a lump sum or spread over five years. Such payments are unavoidable and are not catered for within existing budgets. From experiences elsewhere in the public sector, the cost of reducing staffing through redundancy and early retirement can equate to as much as one-half of the salary saving in the first year. Consequently, in the absence of specific funding to achieve a reduction in staffing, the projected staffing losses above would have to be even greater in order to accrue the monies necessary to fund the cost of redundancy and retirement.

3.2.13 Also, as police officers cannot be made redundant, the only way to achieve reductions is by natural wastage. The historical level of police officer turnover is an average of 30 officers per year but this is expected to reduce to 25 after next year. There is also a risk that this will reduce further if the jobs market declines leading to a lower number of retireals; we lose the turnover that inevitably flows from regular recruitment of probationers, and we see fewer transfers to other police forces as they cut recruitment. Appendix 2 illustrates the levels of police staff reductions required if this pattern continued. In order to attempt to make these savings, realistically there is a requirement to cease police officer recruitment in the current financial year. That decision has already been taken and it will continue to be re-assessed on a regular basis.

3.2.14 Another factor which needs to be recognised is that the third and final part of the three year pay deal for police officers and staff is due to be implemented on 1 September 2010. This places a limitation on police forces as they would not be able to benefit from the pay freeze in year one as would other organisations (if it was not implemented the staff reduction in the table above could reduce).

3.3 Regional collaboration – Police

3.3.1 The Force is actively involved in evaluating opportunities for saving costs by working collaboratively with the partner forces of Tayside, Fife and Lothian & Borders. Any such initiatives should be considered medium term opportunities.

3.3.2 Initially the forces considered the full range of back-office and support functions, however, as much of this is being considered within the national review outlined at Paragraph 3.5, it was agreed to focus on the following four areas where there may be potential for modest efficiencies. These are :

- Roads Policing
- Firearms Management & Capability
- Training

- Legal Services

3.3.3 It should be recognised, however, that with the exception of legal services, the main savings to be gained from such collaborations is a reduction in staffing. This therefore should be viewed as a vehicle for achieving some of the in force staffing reductions, rather than an option that would reduce the need for job cuts.

3.3.4 There will be wider implications in terms of potential set up costs as well as governance and accountability issues (for both the Force and the Board) and this work is in its very early stages. Experience from other collaborative ventures shows that this will take time to develop and adoption of any of the models will be dependent on clear cut business cases of savings being made.

3.4 Regional collaboration – cross sector

3.4.1 Under the auspices of the Forth Valley Chief Officers' forum (G6) a number of collaborative options are being explored. This includes fleet maintenance and shared premises.

3.4.2 Similar to Regional Collaboration-Police, this work will potentially provide solutions for how some of the cuts required can be achieved whilst limiting the impact on levels of service. Any potential savings are assessed as modest.

3.5 National – ACPOS

3.5.1 ACPOS has set up the Efficiency and Productivity Steering (EPSG) Group with the aims of galvanising the effort of and developing consensus between forces towards identifying, prioritising and implementing activity at a national level that will deliver cashable efficiency savings.

3.5.2 This strand of work is expected to identify those areas where a national approach, in the medium to long term, may provide the most cost effective delivery model and where these are identified they would also be viewed as a vehicle for achieving some of the cost reductions required by delivering services more efficiently than could otherwise be the case.

3.5.3 The other significant strand of work started by ACPOS is a review of policing structures in Scotland, which is expected to report preliminary findings to ACPOS Council as early as November this year. The prospect of significant short to medium term savings is low, indeed there are likely to be costs attached to any restructuring programme. A copy of the Terms of Reference for this work is attached at Appendix 3

3.5.4 The Scottish Government Police Division is also conducting a closely linked piece of work, aimed at developing a sustainable model of Scottish policing for the coming years of public spending reductions.

4. PERSONNEL IMPLICATIONS

- 4.1 It is clear from the level of savings anticipated that staff reductions will be required if costs are to be reduced to meet this challenge.
- 4.2 The Scheme of Delegation states that staff appointments are delegated to the Chief Constable, however, there is currently no delegated authority to make posts/staff redundant.
- 4.3 To implement reductions in police staffing, the Force requires to not only agree redundancy and associated procedures with Unison, but also to fulfil our legal requirements in respect of collective consultation on redundancy and retirement decisions. Given the limited timescales in which savings must be accrued – and the extent of legally necessary negotiation and consultation, both with the Trade Union and with individual staff members, it is imperative that the senior management of the force have the specific authority to reach and apply collective agreements on the procedures to be followed in the face of an uncertain financial position.
- 4.4 By agreeing the policy principles for reducing the police staff workforce where it becomes necessary to do so and by delegating authority for the implementation of procedures designed to reduce the size fairly of the workforce, the Joint Police Board would remain in a position to maintain its direction, oversight and scrutiny of the Force's approach to managing the reducing budget, whilst allowing the Chief Constable to prepare and consult with the trade union and workforce on the procedures for achieving the necessary staffing reductions required to ensure the Force is best placed to meet its new budget and maintain essential service delivery.
- 4.5 In order to meet legal requirements for notification and consultation with staff, the Force is required to agree and publish a policy on redundancy. Whilst this policy has been drafted, it has not yet been considered by the Board or agreed with the Trade Union. In order to meet legislative timescales the redundancy policy and associated procedures would have to be agreed by no later than the end of September.
- 4.6 The principles the Force would follow in dealing with necessary reductions in the police staff workforce are:
 - To only apply compulsory redundancy if all other available options have been exhausted.
 - To offer all staff the opportunity to be considered for either voluntary redundancy or early retirement
 - To reduce the workforce through non-filling of vacancies in the lead up to the budget reductions
 - To retrain and redeploy staff where opportunities exist

- To continue our active engagement and communication with Unison and our workforce to identify further measures to avoid job losses
- To maximise opportunities to reduce expenditure in non-staff budgets
- To agree with the workforce other staff budget reductions, such as changes in terms and conditions, which will reduce the need for job losses.

All of these measures underpin the principle that compulsory redundancy will be a 'last resort' for the Force and that all decisions on tackling the budget reductions will be made on the basis of preserving, wherever possible, existing jobs.

- 4.5 Any decisions which result in reductions in the existing workforce would, if appropriate authority were delegated to the Chief Constable, be reported to the Board.

5. DIVERSITY IMPLICATIONS

- 5.1 There are no specific diversity implications arising from this report but any Redundancy Policy and associated procedures will require to take account of diversity issues.

6. FORCE AND JOINT POLICE BOARD IMPLICATIONS

- 6.1 The scale of the cuts proposed is significant, for Central Scotland Police and Scottish Policing in general. The depth of the cuts and the extent of the reduction in police officer and police staff numbers, are such that new models of policing have to be considered if we are to continue to provide a quality of service to our communities. This will include consideration of whether the current eight force structure, including CSP as a distinct part of that, can continue or whether a revised structure is necessary to meet the financial challenges. The *nature* of the service that we provide will also require to be re-modelled and there cannot simply be an assumption that the status quo will continue. There is no simple equation to use in developing new structures or new models of policing. It will require professional judgement, analysis, and public engagement once the budget settlement is known.

7. RECOMMENDATIONS

- 7.1 The recommendations arising from this report are that the Joint Police Board :

- (i) Note the potential funding reductions arising from SR2010,
- (ii) Note the actions being taken to identify cost savings,
- (iii) Note the potential impact on police officers and staff numbers,

- (iv) Approve the policy direction of the Force to minimise compulsory redundancy
- (v) Delegate to the Chief Constable the preparation, and subsequent implementation of redundancy procedures, in consultation with the trade union and,
- (vi) Discuss what steps the Joint Police Board may take to influence the wider debate on public sector cuts to mitigate the risks to policing in the Central Scotland Police area.

Chief Constable

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