Criminal Justice Committee

26th Meeting, 2022 (Session 6), Wednesday 26 October 2022

Pre-budget scrutiny

Written submissions from witnesses and from other organisations and individuals

Introduction

1. The Criminal Justice Committee is holding its first oral evidence taking session today as part of its pre-budget scrutiny of the Scottish Government's forthcoming Budget for 2023/24.

2. As part of this pre-budget scrutiny, the Committee is also seeking to assess the potential implications for justice sector funding in Scotland in light of the current economic and inflationary environment, and the announcement by the Scottish Government of a broad flat cash funding settlement for the remainder of the current session of the Scottish Parliament out to Financial Year 2026/27.

Public call for views

3. The Committee undertook a public call for written views as part of this scrutiny. This consultation ran between 21 September and 21 October 2022. A copy of the public call for views is included in the Annex A (pages 3 – 5) for information.

4. As of the publication of these papers, the Committee had received 35 written responses to its call for views from both organisations and individuals. All of the responses will be available online on the Committee's 2023/24 pre-budget inquiry webpage from Monday 24 October: https://www.parliament.scot/chamber-and-committees/committees/current-and-previous-committees/session-6-criminal-justice-committee/business-items/prebudget-scrutiny-202324 .

5. The Committee thanks all of those who have taken the time to respond to the call for views.

Written evidence from justice sector organisations

6. The Committee also sought a written response from the following justice sector organisations as their funding constitutes the bulk Justice portfolio budget-

- Crown Office and Procurator Fiscal Service.

- Scottish Courts and Tribunal Service.
- Scottish Fire and Rescue Service.
- Scottish Police Authority & Police Scotland, and
- Scottish Prison Service.

7. In seeking a response, the Committee asked four questions, broadly similar to those in the public call for views, namely-

I. What assessment these organisations are making of the impact of a possible flat cash settlement to the delivery of services for 2023/24? What contingency plans are in place? What is the impact on their services?

II. Similarly, what assessment are these organisations making of the impact of a possible flat cash settlement on their capital spending for 2023/24?

III. What assessment are these organisations making of the longer-term impact of the possible flat cash settlement out to 2026/27 if the present inflationary cycle continues beyond 2023?

IV. Any other comments these organisations may wish to make on the potential impact of the flat-cash settlement on their organisation or the budget more widely

Oral evidence at this meeting

8. At its meeting today, 26 October, the Committee will take oral evidence from two panels of witnesses—

- Lynn Brown, Chief Executive of the Scottish Police Authority, David Page, Deputy Chief Officer and James Gray, Chief Financial Officer of Police Scotland,

And then from-

- Ross Haggart, Interim Chief Officer, Stuart Stevens, Interim Deputy Chief Officer and John Thomson, Acting Director of Finance and Procurement, Scottish Fire and Rescue Service.

9. A joint written submission from the Scottish Police Authority and Police Scotland is attached at Annex B (pages 6 – 12) for information.

10. A written submission from the Scottish Fire and Rescue Service is attached at Annex C (pages 13 – 20) for information.

Clerks to the Committee
October 2022

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Annex A: Copy of the public call for views issued by the Committee from 21 September to 21 October 2022

Overview

On 31 May 2022 the Scottish Government's Cabinet Secretary for Finance and the Economy Kate Forbes MSP published the Scottish Government's Resource Spending Review Framework. This set out the Scottish Government's scenario for budget spending of £180 billion over the four remaining financial years of the current Scottish Parliamentary session (Financial year 2023/24 to Financial Year 2026/27).

In the Framework, the Scottish Government set out a scenario for the allocation of £11.6 billion of public spending to the Scottish justice system over these four financial years as follows:

- 2023-2024: £2,839 million
- 2024-2025: £2,839 million
- 2025-2026: £2,954 million
- 2026-2027: £2,969 million.

These proposals, if realised, would represent an across the board, flat cash settlement for almost all parts of the justice criminal justice system in Scotland.

The UK Office of National Statistics currently estimates that the Consumer Prices Index (CPI) has risen by 10.1% in the 12 months to July 2022, up from 9.4% in June. A flat cash outcome would represent a significant real-terms reduction in spending across the justice sector if the current trend of high inflationary pressure continues into the medium to long term.

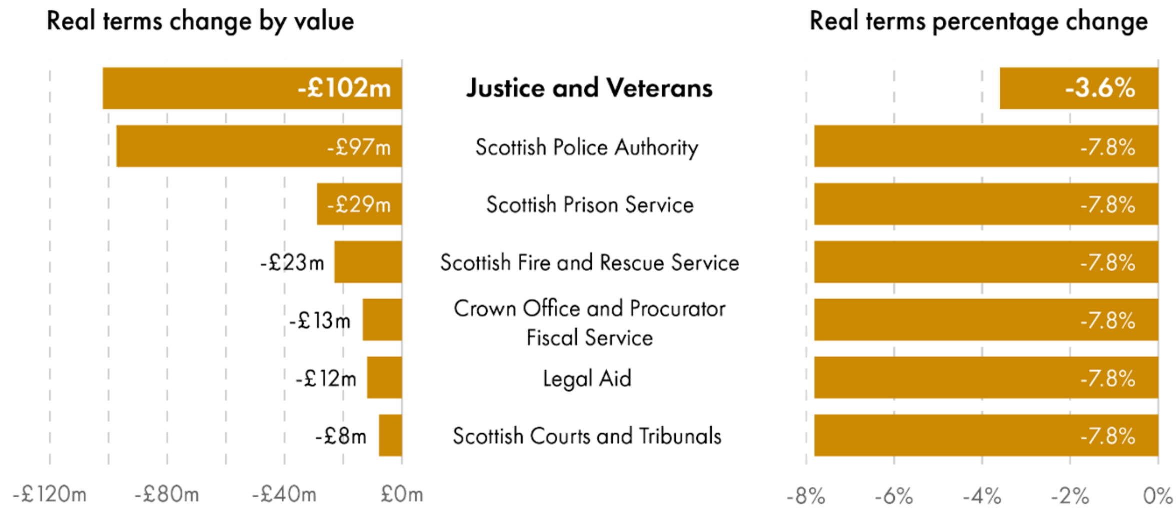
What might this mean for justice spending?

The Scottish Parliament Information Centre (SPICe) has produced the following information to indicate what this settlement may potentially mean, in real terms, if the current economic climate persists for the next few years.

Any real-terms shortfall in funding over this period may be substantially better or worse that the current estimate, depending on the inflationary pressure in each year up to 2026/27.

This estimate may also be affected by the forthcoming UK Government emergency budget, and the outcome of the Scottish Government's Emergency Budget Review, which the Scottish Government has confirmed would take place within two weeks from the forthcoming UK Government emergency budget.

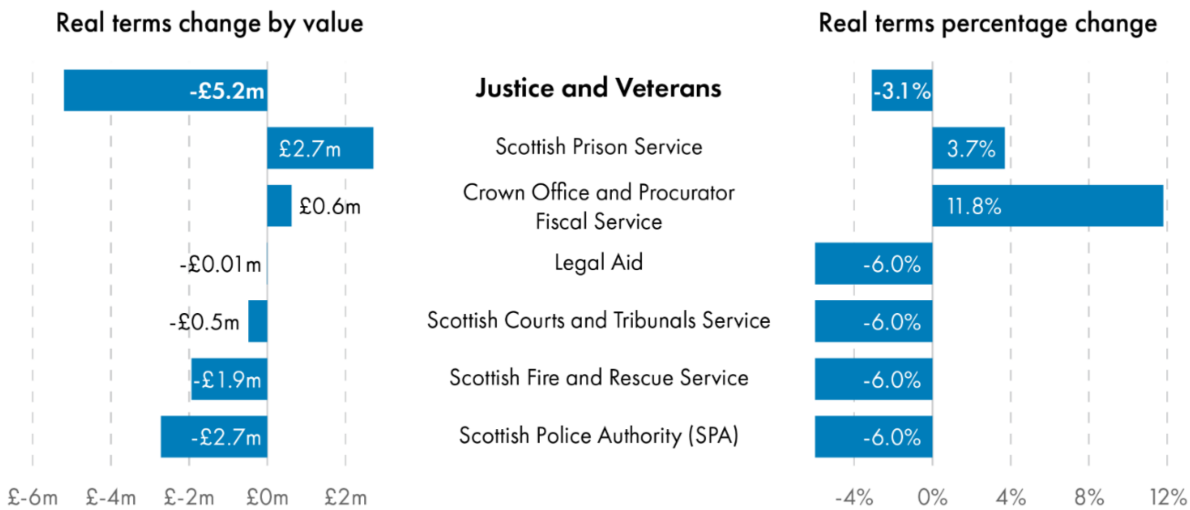
SPICe estimates that resource spending will fall in real terms by £102 million, or 3.6%.



There will be a cut to resource spending of 7.8% across the portfolio. These include the following reductions:

- Scottish Police Authority and Police Scotland: £97 million
- Scottish Prison Service: £29 million
- Scottish Fire and Rescue Service: £23 million
- Crown Office and Procurator Fiscal Service: £13 million
- Legal Aid: £12 million
- Scottish Courts and Tribunals: £8 million

SPICe's analysis also says that capital spending will also decrease in real terms by £5.2 million, or 3.1%.



Two elements of the portfolio will get an increased amount of funding:

- The Scottish Prison Service will receive an increase of £2.7 million (or 3.7%)
- The Crown Office and Procurator Fiscal Service will receive an increase of £600,000 (or 11.8%)

However, other elements of the portfolio will see their funding their funding cut by 6% in real terms. These include the following reductions:

- Legal Aid: £10,000
- Scottish Courts and Tribunals: £500,000
- Scottish Fire and Rescue Service: £1.9 million
- Scottish Police Authority and Police Scotland: £2.7 million

Questions

The Criminal Justice Committee would like to hear your views, or those of your organisation, on this situation:

- What are your views on the impact of a possible real terms cut in the funding for the Scottish justice sector for the financial year 2023/24?

- What are your views of the impact of a possible real terms cut in the funding for the Scottish justice sector for the financial years over the longer term if the present rate of high inflation continues beyond 2023?

- Any other comments you may wish to make on the impact of the possible flat-cash settlement on the Scottish justice sector or the budget more widely.

The deadline for submitting a response is 11:59 pm on Friday, 21 October 2022.

Annex B: Joint submission from the Scottish Police Authority and the Police Service of Scotland

Overview

The Resource Spending Review (RSR) published by the Scottish Government on 31 May 2022 set out the high-level parameters for resource spending to 2026-27. The RSR indicated that the Scottish Police Authority (SPA) and the Police Service of Scotland (PSOS) should plan for a flat-cash settlement over the period of the RSR.

The United Kingdom Office of National Statistics estimates that the Consumer Prices Index (CPI) has risen by 10.1% in the 12 months to July 2022, up from 9.4% in June.

Our initial analysis shows that for policing in Scotland to operate within a flat-cash funding allocation, savings of between £200 m and £300 m are required over the period, an average of between £50 m and £75 m per annum, in order to accommodate pay awards and absorb non-pay inflationary pressure.

Such cuts would follow significant reform which has already enabled £200 m to be removed from the annual cost base of policing in Scotland compared to legacy arrangements. This has been achieved through significant reductions in chief officer, senior officer and staff numbers, as well as efficiencies and improved working practices.

Pay represents 86% of policing in Scotland’s revenue budget. Further, significant, cost reductions can only be delivered through a pay-freeze or by funding cost of living pay awards by reducing the size of the workforce.

By way of illustration, a 1% pay rise across the organisation would cost approximately £11 m. £11 m is the annual cost of employing 225 officers or staff.

If the 5% pay award of 2022-23 was replicated in 2023-24, this would represent an additional £55 m of inflationary pressure which would require a reduction of 1,125 full time equivalent officers and staff members. Over the period of RSR, up to 2026-27, repeated 5% awards would require indicatively accumulated savings of £222 m, the equivalent of an average 4,500 headcount reduction based on current salaries.

Additionally, further significant reductions in the number of police buildings would be required in order to save on utilities, non-domestic rates and maintenance costs. Since reform, policing has reduced its building estate by around a third, or 155 buildings. An indicative assessment suggests a further 20% reduction in the estate footprint could be achieved – roughly equivalent to 18 buildings the size of London Road Police Station in Glasgow.

Policing strives to deploy officers and staff in the most effective way, to ensure areas which encounter the greatest demand and carry the greatest risk are prioritised for resource.

However, the Chief Constable and the Chair of the Authority have expressed their concern at the service delivery implications of the RSR.

Providing citizens with the help they need and deserve will be ever more important as the cost of living crisis drives vulnerability and need in communities. Equally, as financial challenges place public services under pressure, community needs can manifest in criticality and displace upon policing, which is so often the service of first and last resort.

As has been consistently demonstrated, responsive, effective, operationally competent policing is a pre-requisite for safety and security; for social cohesion; and for a vibrant and sustainable country.

Should funding allocations follow the parameters of the RSR, this would mean a fundamental reduction in Scottish policing's capacity and capability to respond to the needs of the public we serve.

The implications for community policing; operational effectiveness; our ability to police major events and demonstrations fairly and safely; and to protect people from existing and emerging threats are significant.

Transformation of public services

The RSR calls for a reset across public services with an enhanced focus on delivering savings through innovation; efficiency; improvement in procurement; collaboration; and reducing the public sector workforce.

Policing in Scotland has reset. Policing in Scotland has progressed much of the reform now being asked of the public sector as a whole and in doing so returned £200 m annually to the public purse. Policing in Scotland is now on track to deliver total cumulative savings of over £2 billion by 2026 compared to legacy arrangements.

The below table illustrates how some of those savings have been achieved, in line with the criteria set out in the RSR.

RSR criteria	Reform action	Progress since legacy arrangements
Reducing public sector workforce	Police staff (2,133 jobs) Chief officers Senior officers Management grades	26% reduction 60% reduction 11% reduction 5% reduction
Efficiency	Overtime and allowances savings through service wide management changes 155 fewer buildings	50% reduction 33.7% reduction

	We have reduced our 'Tonnage Carbon Dioxide Equivalent Emissions' by 26k tons since 2013	39% reduction
Procurement	Significant improvements have been delivered across procurement activity e.g. non-compliant spend reduced from £11.9 m in 19-20 to £3.7 m in 21-22	31% reduction
Collaboration	Established 64 co-locations and developing a further 22 co-location projects with partners One example is the North East Integration Project saving £1 m each year while improving conditions for 850 officers and staff	21% of entire estate
Innovation	20% fleet is comprised of Ultra Low Emission Vehicles (ULEV). Public sector average is 5%. UK Policing average is 2%	20% is ULEV

The return of £200 m to the public purse each year is a significant achievement but remains a challenge as increasingly complex community needs proliferate. Delivering similar levels of additional savings from this baseline while maintaining service is not possible through efficiencies.

Response to questions from the Criminal Justice Committee

What assessment you are making of the impact of a possible flat cash settlement to the delivery of services for 2023-24?

Essentially, there are two options: (1) protect the size of the workforce as far as possible through a pay freeze from 2023-24; or (2) implement self-funded cost of living pay increases resulting in an overall reduction in workforce:

1. A pay freeze would as far as possible protect policing from a headcount reduction. Pay restraint in a high inflation environment will essentially result in people being paid less for the work they are currently doing, presenting a risk in the organisation's ability to retain the workforce in the longer term. As a lower paying employer, PSOS would become uncompetitive in the market place which in turn would inhibit the organisation's ability to recruit new talent into the organisation. The Chief Constable has consistently underlined his

position that policing is a rewarding but demanding vocation and that officers and staff should be fairly rewarded for their service, particularly during a cost of living crisis. Staff unions and police officer representatives have indicated that they would be unwilling to accept a pay freeze at a time of high inflation and any such proposals would be resisted robustly.

2. Pay awards from our existing pay budget can only be achieved through significant workforce reductions. As a guide, each 1% of pay award to the workforce equates to £11 m, the equivalent of 225 officers or staff. So, by way of illustration, an annual pay award similar to the 2022-23 5% pay increase would cost an additional £55 m in 2023-24 which, in order to be self-funded, would require workforce reductions of 1,125 FTEs. A 5% per annum increase for the next 4 years would require accumulated savings of £222 m by 2026-27, the equivalent of an average 4,500 headcount reduction based on current average salaries.

Workforce reductions will have considerable operational implications for the organisation, requiring difficult decisions to be made with regard to strategic workforce planning and how and where operational service delivery reductions will be made. It is highly likely that the critical issue of officer and staff wellbeing will be negatively impacted by either option - lower real terms pay or by a smaller workforce.

What contingency plans are in place?

Current inflation cannot be accommodated within the £176 m core non-pay budget without significant and radical action. The organisation's ability to mitigate the impact of a flat-cash settlement is negatively impacted by flat capital and would be further impacted by any reduction in reform funding. The following plans could achieve some savings:

- Aggressively target opportunities to further reduce the police estate as soon as possible to achieve savings on general running costs such as utilities, non-domestic rates and facilities management costs. Early indications suggest planned disposals could be extended to further opportunities which could result in a 20% reduction in the estates footprint.
- The move to a ULEV fleet is the key mechanism for reducing costs and managing pressures within existing budgets. However, this requires continual capital investment to ensure that the ULEV model can be fully implemented. If capital is not adequate to cover the transition to the ULEV model and the associated infrastructure, then the size of the fleet would ultimately have to reduce in line with the funding available.
- Opportunities to enhance technology across policing will be further limited. Programmes such as the national roll out of body worn video would be halted, leaving policing in Scotland further behind other UK services and unable to discharge independent recommendations or contribute to wider justice system improvements.
- Other ICT improvements with revenue costs would be radically restricted.

- Contracts for supplies and services would be reviewed with a stronger weighting on price rather than quality. This would reduce existing capability and may result in wellbeing issues if kit or equipment is considered to be of reduced quality.

Even where policing is not in a position to introduce any new technology, we are still facing significant revenue pressures to maintain existing capability due to the changing nature of ICT costs. As more ICT applications move away from traditional hardware and software models towards online hosted packages, there will be a significant shift between capital and revenue expenditure that will have to be managed.

What is the impact on your services?

A significant reduction in police officers or further reductions in police staff would impact on operational service delivery and mean the withdrawal of some services and delays in responding to requests for help from the public.

The implications for community policing; operational effectiveness; our ability to support major events; and to protect people from existing and emerging threats are significant.

Additionally, the financial pressures on the rest of the public sector and local government are likely to result in a reduction or withdrawal of services from other sectors, with community need displaced onto policing.

A flat-cash settlement would ultimately result in reduced Forensic Services capacity, reduced forensics capabilities and wider negative outcomes for the criminal justice system.

A significantly reduced forensics capacity would result in slower reporting and an enforced cap on the number of cases that could be managed. This would include not being able to accept as many toxicology, drugs and acquisitive cases. These cuts and limits to forensics services would be similar to cuts seen across England and Wales with negative consequential impacts on the wider justice system i.e. the work of police, the Crown Office and Procurator Fiscal Service, courts as well as conviction rates.

The majority of the SPA's budget is pay costs with a small workforce with low staff turnover. Flat-cash would require reductions to the Authority workforce of 10% in 2023-24 and 30% over four years. This would considerably reduce the effectiveness of the Authority and roll back the improvements in oversight and transparency made in recent years.

Similarly, what assessment are you are making of the impact of a possible flat cash settlement on your capital spending for 2023-24?

The Scottish Government published its 5-year capital spending review in February 2021 which indicated flat capital funding of £52.6 m (including anticipated capital receipts) per annum for policing in Scotland over the next five years.

This level of funding is significantly short of the £463 m capital required to improve conditions and equipment for the wellbeing of officers and staff; enable a better service to be provided to the public; and create time saving efficiencies through the use of newer technologies.

Flat-cash would allow key investments to be progressed, however, the pace of delivery would be limited within the funding available, particularly as spending power has been eroded by high inflation and will now pay for significantly less.

A lower settlement would require prioritisation to meet health and safety needs, legislative requirements and replacement of core equipment, the impact of which is summarised below:

- The existing size of the estate has been unsustainable for a number of years and we have prioritised meeting health and safety requirements and basic repairs. However, overall, our buildings continue to deteriorate and maintaining our existing estate within a flat-cash settlement is not viable, necessitating further rationalisation of the estate.
- The roll out of ULEVs would stall at a maximum of 1400 vehicles (40% of our fleet) because forecast funding would be insufficient to purchase the level of charging infrastructure required to support a fully electric fleet.
- Digital Data and Information Communication Technology projects would be prioritised by the organisation, however this would still be short of the overall requirement.

What assessment are you making of the longer-term impact of the possible flat cash settlement out to 2026-27 if the present inflationary cycle continues beyond 2023?

As outlined, the outlook is extremely challenging and concerning.

Under our reformed model, policing in Scotland has strengthened operational competence and provided direct access to all policing capabilities for every citizen, while reducing its core yearly operating cost by £200 m.

Police Scotland’s role is to keep people safe, promote the wellbeing of communities, and uphold and enable human rights, all powerfully demonstrated over the last number of years, particularly during the pandemic and COP26. Equally, providing an effective policing response for all our communities across Scotland during intense periods and major events is an essential and challenging imperative.

Operational competence is vital to maintaining the safety, security and wellbeing of our communities; social cohesion; and the legitimacy of policing – all fundamental to building a country where all our citizens can flourish.

Scotland needs, deserves and values an effective and responsive police service which is appropriately funded.

Reform of policing has been difficult, however much progress has been made. The impact of a flat-cash settlement for policing will threaten the progress to date in this critical public service.

Annex C: Submission from the Scottish Fire and Rescue Service

1. Introduction

1.1 The Criminal Justice Committee of the Scottish Parliament has asked for information regarding the impact of the Resource Spending Review (RSR) on services within the Justice and Veterans Portfolio including the Scottish Fire and Rescue Service (SFRS). Specifically, the committee has asked

1. What assessment you are making of the impact of a possible flat cash settlement to the delivery of services for 2023/24? What contingency plans are in place? What is the impact on your services?
2. Similarly, what assessment are you are making of the impact of a possible flat cash settlement on your capital spending for 2023/24?
3. What assessment are you making of the longer-term impact of the possible flat cash settlement out to 2026/27 if the present inflationary cycle continues beyond 2023?
4. Any other comments you may wish to make on the potential impact of the flat-cash settlement on the SFRS or the budget more widely.

1.2 Since the publication of the RSR the SFRS has been exploring the implications of the indicative funding figures and the application of a flat cash settlement to the Service budget. A programme of work has commenced to explore potential savings options and their impacts following the release of the figures for the indicative budget. Once the actual 2023/24 budget is published later in 2022 the Service will begin the process of implementing required savings to deliver a balanced budget in 2023/24. In the three-year period following (2024/25 – 2026/27) it becomes more challenging to accurately predict the impacts of the indicative budget. This is because key variables that will impact on the cost base of the Service are more difficult to forecast with a degree of accuracy – essentially the medium to long term impact of inflation (Consumer Price Index) and also wage settlements.

1.3 It is important to highlight that 80% of the Service's resource budget relates to employee costs and therefore future pay awards will create additional cost pressures on the Service budget. The remaining 20% of the resource budget, which essentially covers the daily running costs of the Service, is subject to exceptionally high levels of inflationary pressures emanating from the current economic conditions, particularly in areas such as day to day maintenance and cleaning, where inflationary pressures are currently outstripping CPI by considerable margins. Therefore, due to such unknown medium to longer term impacts, it is difficult to accurately model at this stage the full financial pressures of the RSR over the four-year period. With that caveat in mind this submission, sets out as best we can at this stage the impacts of the RSR on the SFRS.

1.4 In 2021 the SFRS published a Long Term Vision (LTV) for the Service. The Vision set out the long term ambitions and strategic intents for the Service for the next decade to help guide how we would evolve to continue to enhance the safety and wellbeing of the people of Scotland. In 2022 the Scottish Government published the Fire and Rescue Framework for Scotland 2022 (the Framework). The Framework sets out Scottish Ministers' expectations of the SFRS. This Framework provides SFRS with strategic priorities and objectives, together with guidance on how the delivery of our functions should contribute to the Scottish Government's purpose. In turn, the Framework priorities, contribute to the National Outcomes set out within the National Performance Framework. The Framework sets out seven outcome-focused strategic priorities for SFRS:

- Prevention and Protection
- Response
- Innovation and Modernisation
- Climate Change
- Effective Governance and Performance
- People
- Partnership

1.5 Following the publication of the Framework the SFRS published a new Strategic Plan (2022-25). The SFRS Strategic Plan 2022-25 complements the Framework and the delivery of the LTV and provides information on the actions the Service plans to carry out to contribute to each of the seven Framework priorities.

2. Overview: Potential RSR impacts on the SFRS budget and service

2.1 In making choices about what savings the Service can implement we have assessed these in light of the Framework and the supporting outcomes set out in the Strategic Plan. The Strategic Plan also sets out the challenges SFRS may face operating within the financial constraints of the flat cash settlement as indicated in the RSR:

> "We recognise we will be working to deliver this Plan through a period of significant economic and financial challenges. From 2023/24 to 2026/27 the Scottish Government has set an indicative flat cash budget for the Service which, with the impact of inflation, will represent a cut in real terms in our budget over that period. As we drive forward with the ambitions set out in this Plan we recognise that we will do so against this backdrop and as a result some hard choices will need to be made as we prioritise our actions." (Strategic Plan 2022-25, p. 2)

2.2 The Strategic Plan also made clear the general implications for the SFRS of the financial challenge posed by the indicative budget set out in the RSR:

> "Over the next three years we will face significant budgetary pressures in both our resource and capital budgets, with a flat cash settlement being indicated in the Scottish Government Resource Spending Review (2022). While our actual budget will not be known each year until the December prior to the new financial year beginning in April, we will have to proceed and plan for savings to meet these budget challenges. During this same period, inflation will lead to high price increases for the goods and services we need to deliver our services. We are likely to see challenges emerging for our people around the increased cost of living and the pressures this places on them and their households. We also face a significant and growing investment need in our estate with many of our buildings requiring substantial upgrading and decarbonisation. Failure to invest in our estate will add further pressure to our resource budget as we increasingly spend more money on repair costs that come from ageing buildings. We will always strive to balance our budget; however, the pressures we are facing will lead to an unavoidable increase in costs. As a result, we will need to make hard choices as we work

to modernise the Service whilst maintaining financial sustainability and budgetary control." (Strategic Plan 2022-25, pgs. 9 & 10)

2.3 The RSR indicated a flat cash resource funding of £294.207 million for 2023/24 to 2026/27 for the SFRS. This will mean inflationary pressures and pay awards will need to be funded from a future savings programme. Based on current information the cumulative recurring savings required over the next four years will be between £29 million and £43 million by the end of the four years.

2.4 The current inflation and pay expectations for 2022/23 has resulted in Scottish Government providing additional support to the Service this year. The Service had budgeted for a 2% pay offer to uniformed staff and 2022/23 Scottish Public Sector Pay Policy for support staff. A pay offer of 2% to operational staff was made in June 2022 through the National Joint Council for Local Authority Fire and Rescue Services (NJC), which is the UK wide pay and negotiation body for the Fire and Rescue sector. That was rejected by the Fire Brigades Union (FBU) and the NJC, in early October 2022, made a subsequent offer of 5% to operational staff. On 6 October 2022 the FBU National Executive Council rejected the 5% offer and announced it was going to ballot its members with a recommendation to reject the NJC offer. Consequently, at the time of drafting this response it is not yet clear if that 5% offer will be accepted by FBU members. A similar offer has been made to support staff unions (UNISON and Unite) and both unions have indicated that they will ballot their members, recommending acceptance of the offer based on it being "the best achievable by negotiation". The outcomes of these ballots are awaited at the time of writing.

2.5 In looking at pay and other inflationary pressures in the short term, it is clear that significant savings will be required of SFRS in 2023/24. Due to the imprecise nature of some of the impacting variables we estimate that the required savings in year will range from £12 million (4%) to £18 million (6%) depending on the level of CPI throughout 2023/24 and the final pay negotiations and settlements for both operational and support staff for 2023/24 and compounding from 2022/23. While the Service has received Scottish Government financial support for improved pay offers for all staff for 2022/23 the impact of this on our budget allocation from 2023/24 is unknown at this time.

2.6 In addition to resource budget pressures the Service has been given an indicative flat cash position on capital funding of £32.5 million to 2025/26. As indicated in a previous submission from SFRS to the Committee, the Service has significant capital spending requirements due to the nature of what we do and the size and condition of estate we operate through. Audit Scotland reported in 2018 that SFRS had an "insurmountable capital investment backlog". It said to tackle the backlog would require around £80 million per year being invested for a concentrated period of time followed by a capital budget of around £50 million per year to create a sustainable capital position for the Service. This level of investment was needed, according to Audit Scotland, to bring property, vehicles and assets up to a minimum satisfactory condition. That level of investment has not been delivered since 2018.

2.7 The indicative Capital funding for SFRS is inadequate against the investment needs of the Service and SFRS now estimate following undertaking a risk-based review, that funding of £63 million per year is required to improve the current condition and suitability of our stations, fleet and equipment. In addition, the Service requires certainty that any capital receipts generated through change processes are reinvested directly back into the Service. Of immediate concern to the Service are the 14 stations which have Reinforced Autoclaved Aerated Concrete (RAAC) roof panels. RAAC panel roofs have been identified as a major risk to building integrity and where necessary they should be replaced to ensure building safety. The Service has taken interim steps to protect the roofs and therefore employees in affected buildings. However, the 14 affected stations require investment of around £70 million to make them safe for long term continued use.

3. SFRS assessment of RSR impacts

3.1 The Committee specifically asked for submissions to address four questions which we do so below. In exploring how we plan to reconcile the challenges of a flat cash budget the Service is essentially undertaking a two-stage process. For 2023/24 we have sought 'tactical' savings whereby we can reduce the cost base of the Service to match the indicated budget by taking short term decisions while seeking to protect community outcomes; albeit in taking these decisions, the longer-term picture has been fully taken into account. Every directorate across the Service was given a savings target to meet and in turn the Strategic Leadership Team (SLT) and the Board of SFRS interrogated those proposed savings to ensure there was a coordinated corporate approach to meeting the anticipated budget gap in the 2023/24 budget.

3.2 For the years 2024/25 onwards a more strategic process has been adopted. In this phase major operational and organisational change projects are being considered to drive a major redesign of the Service and further reduce our operating costs, while protecting as best we can community outcomes across Scotland. The intention of this two-stage process is to achieve a sustainable operating cost to the Service over the four-year period of the RSR. But SFRS is clear, as indicated in the Strategic Plan 2022-25, that the challenges in achieving this will mean very hard choices will have to be made.

Q1. What assessment you are making of the impact of a possible flat cash settlement to the delivery of services for 2023/24? What contingency plans are in place? What is the impact on your services?

3.3 As indicated above each directorate across the Service examined their budgets against a corporate savings target to ensure the whole organisation was contributing towards the savings and allowing SFRS to protect community outcomes as best we can. That exercise will mean that once the formal budget for 2023/24 is known to the Service we will be able to move forward with plans to close the spending gap we are likely to face. The implications of this will be tangible and real within the Service and at community level.

3.4 Over 80% of the SFRS resource budget is spent on staff employment costs. Of that around 80% is spent on operational staff, including Operations Control personnel, with the balance comprising of support staff and costs associated with ill-health, subsistence and other ancillary staff costs. The SFRS, following Scottish Government policy, operates a no compulsory redundancy policy. This then means that to reconcile the budget gap we need to explore opportunities to reduce the staff cost base through planned and unplanned retirements and through vacancy management. Given the scale of budget gap indicated by the RSR the Service has no option other than to use these opportunities to maximum effect.

3.5 The implications are that, in the event of SFRS receiving a flat cash budget, to meet our short-term financial target there will need to be a reduction in staffing, including firefighter, numbers achieved through retirements and vacancy management. In such circumstances, there would need to be a reduction in the wholetime firefighter Target Operating Model (TOM) to meet short term financial targets. A reduced TOM will also create challenges for the Service in managing appliance availability across many parts of Scotland. By using retirement and vacancies to reduce staffing numbers, the Service cannot plan for where those staffing reductions will occur across the organisation.

3.6 Changes to the TOM would further mean there could be a reduction in some areas causing situations to arise where availability within a particular community cannot be guaranteed to the same levels as they are today. This would lead to a reduced number of community safety interactions delivered via local operational teams who deliver both response and prevention activities. Equally we will likely see a potential reduction in specialist operational teams across the country.

3.7 A key risk arising from these steps will be a potential deterioration in relationships with both representative bodies and employee relations due to potential staff reductions. This in turn could heighten the risk of industrial action which in turn would impact on community safety.

3.8 Some of these short-term tactical changes may lead to innovation in the long term for the Service which could lead to improvements in performance and safety over time. However, we are acutely aware that other organisations are required to meet similar financial challenges and that could be a risk to effective partnership working. We will continue to work with our partners and seek active collaboration as something that can help alleviate some of our collective financial pressures. In particular we are actively seeking further collaboration with Police Scotland, the Scottish Ambulance Service and others in that regard. We already share much of our estate with other public-sector bodies to help share cost and reduce the burden on the overall public-sector purse of community assets and we anticipate that this will increase further.

3.9 Equally we will look at our non-operational office space. We will seek to share that with partners or to consolidate space across partners accommodation to reduce running costs. These steps will work in tandem with our commitment to support agile working across support staff groups.

3.10 As outlined above, even as early as 2023/24, should SFRS receive flat cash funding as indicated by the RSR, impacts upon service delivery and support functions will occur. As a Service we will always prioritise frontline outcomes for communities. This will entail seeking savings from across the whole organisation. Any changes in our operational response model will be undertaken to minimise impacts upon community and firefighter safety, with the Service making full use of our Community Risk Index Model, which is under development. In addition, any planned modernisation of the Service that requires upfront investment may have to be delayed, which will impact our ability to meet our LTV ambitions.

Q2. Similarly, what assessment are you making of the impact of a possible flat cash settlement on your capital spending for 2023/24?

3.11 As indicated above for 2023/24 onwards the Service has begun to explore longer term changes to help us resolve the financial pressures, we are likely to face over the RSR spending period. Similarly, to our Resource position, our indicative capital budget will also be very challenging over this period.

3.12 The likely level of capital funding in the 2023/24 period is such that how the Service choses to invest this will have to be done very much on a risk assessed basis. This means that investment in some areas of the Service will be reduced as priority will need to be given to failing assets. We will also have to look to realise capital receipts through asset disposal and use this money to further support our capital investment needs.

3.13 Our estate assets are deteriorating as a consequence of decades of underinvestment, and we have adopted a risk-based approach to maintain our stations condition and suitability.

The indicated £32.5 million in capital funding for the RSR period is not sufficient to meet Service needs as we attempt to achieve this. In particular we have 14 RAAC panel stations where either the roof or whole station needs replaced at an estimated cost of £70 million as outlined in section 2.7.

3.14 Equally the fleet and equipment needs of the Service are dependent on the resources required at stations to meet community risks. The range of equipment required by the Service to meet changes in community risk, including as a result of climate change, is expanding as a consequence of increasing levels of wildfire, flooding and water rescue, and in support of national resilience assets. However, if our base capital funding remains fixed, as indicated in the RSR, our ability to meet those risks will be significantly impacted. In short, our indicated Capital funding is not sufficient to meet the demand for fleet and equipment or to provide investment in new technologies to reduce and respond to changing community risk.

Q3. What assessment are you making of the longer-term impact of the possible flat cash settlement out to 2026/27 if the present inflationary cycle continues beyond 2023?

3.15 Over last four years the Service has invested £10 million in carbon reduction measures and we are on track to meet 6% annual reduction in CO_2. However, investment to meet our net zero target is wholly dependent on securing separate ring-fenced capital investment from a range of Scottish Government programmes. The condition and suitability of our stations will demand that scarce capital investment is prioritised based on the risk to maintain service delivery and unless that additional investment continues to be secured our ongoing ability to meet our CO_2 targets may be compromised.

3.16 Our intention to further reduce the cost base of the Service to meet our indicated budget means we have to explore some radical options in terms of future Service design. This will entail us seeking to modernise the Service by developing and delivering new ways of working across the whole Service. However, new ways of working cannot be delivered without additional investment both in terms of Capital and Resource budget. New ways of working often require new equipment or ICT solutions to be implemented and often require staffing changes which also needs short term investment to bring about. Our indicated position on Capital budgets increases the risk of failure in bringing new ways of working about due to the need to meet known Service pressures as indicated above. Steps that we have taken in this regard to date, such as replacing hydraulic cutting equipment with battery operated cutting equipment, at a cost to the service of £4 million, are likely to be constrained in future years. There is a further risk to the Service that change projects that require ICT investment to enable success may have to be deferred as we may lack the capital needed to meet the associated ICT investment needs. That in turn will limit our ability to bring in new ways of working, which if realised could have reduced the longer-term cost base of the Service.

3.17 From an operational perspective the longer-term financial savings requirements are likely to mean we need to review stations and resources to meet community risk within the financial envelope available to us. This would mean a potential review of our current stations against community risk which may lead to fire appliance removals and some station closures. This potentially could also mean there are fewer local community resources dedicated to prevention work. As outlined at 3.10 above, any such measures proposed will be prioritised in a manner that minimises community risk wherever possible. They would also be accompanied by appropriate stakeholder (including impacted communities) engagement and consultation. These processes, while absolutely appropriate, may lead to extended timescales in the realisation of associated savings.

3.18 We will also likely explore possibilities around changes to how we crew stations. Potential changes mean that in some areas we may move from existing wholetime crewing to a combination of day and on call crewing. Any potential station closures or changes to duty systems if they are undertaken would reduce both resource and future capital investment requirements in local stations. However, we will need to balance the financial imperatives we face with changes in community demand and risk. Savings should only be achieved when it is safe for us to do so in terms of community outcomes.

3.19 We also have pressing needs to modernise our station portfolio to enhance facilities in support of firefighter safety in respect of contaminants and to provide dignified facilities for all staff and visitors to our premises.

3.20 In support of these operational changes, if they are to be pursued, all capital receipts generated by the Service through asset disposal will need to be reinvested into failing premises and into those stations that we will need to modernise as part of our long-term ambitions of enhancing community safety and wellbeing.

3.21 To assist us manage the challenges ahead we are seeking to establish an innovation hub to coordinate our research and development activities and to support new ways of working through technology. A recent example being our work with Heriot-Watt University on applying Artificial Intelligence technology onto fire helmets to help keep members of the public and firefighters safer in dangerous, smoke-filled environments. A major part of our focus will be to seek innovation opportunities with partners across the public sector and beyond. We will explore alternative funding sources where with partners we can work in collaboration to bring changes about that can also result in managed reductions in our cost base. This will include a strategic review of our corporate assets with partners where sharing creates for each of us an opportunity to provide better assets for our staff while reducing our individual and collective costs. We will equally explore opportunities to share services, where the benefits of this makes both operational and financial sense to do so. Equally we will explore further forms of Agile working within the Service with the intention of restructuring our support functions to achieve efficiencies. We will also explore where this may add further benefits by doing this in conjunction with partners.

Q4. Any other comments you may wish to make on the potential impact of the flat-cash settlement on the SFRS or the budget more widely.

3.22 The RSR has brought into sharp focus the potential significant financial challenges facing the SFRS over the next four years. If the indicative budgets become our actual budgets we will face major issues in reducing the cost base in a managed fashion to meet those budgetary realities. As indicated earlier this will mean hard choices being made by the Service. The challenges we face are significant and the overall scale of the challenge remains uncertain but to manage them will require a greater degree of financial management flexibility than the Service currently enjoys. SFRS does not have the ability to operate through multiyear budgets, nor do we have the ability to build and hold financial reserves that can then support strategic investments in organisational change. Equally, we have no capital borrowing facility open to us at present beyond the capital allocation we receive from the Scottish Government. However, the Police and Fire Reform (Scotland) Act 2012 (Schedule 1A) permits the Service to borrow funds with the approval of the Scottish Government but this is a facility that we have not yet explored with Scottish Government. Changes in these areas would help us plan, resource and realise change on a more programmatic basis and help us close the potential gap between our cost base and budget.

3.23 We do not underestimate the potential impact of the changes outlined in this submission on communities themselves. Any retrenchment in our offer to communities will impact on those same communities. Until the scale of the financial challenges we are facing is known with more certainty, we cannot say what the scale of any community impact will be. However, notwithstanding this the SFRS remains committed to protecting and enhancing safety and wellbeing for all communities across Scotland.