



OFFICIAL REPORT
AITHISG OIFIGEIL

Public Audit and Post-legislative Scrutiny Committee

Thursday 9 January 2020

Session 5



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PUBLIC AUDIT AND POST-LEGISLATIVE SCRUTINY COMMITTEE

1st Meeting 2020, Session 5

CONVENER

Jenny Marra (North East Scotland) (Lab)

DEPUTY CONVENER

*Liam Kerr (North East Scotland) (Con)

COMMITTEE MEMBERS

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

*Bill Bowman (North East Scotland) (Con)

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

*Alex Neil (Airdrie and Shotts) (SNP)

*Anas Sarwar (Glasgow) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Stephen Boyle (Audit Scotland)

Caroline Gardner (Auditor General for Scotland)

Mark Roberts (Audit Scotland)

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

CLERK TO THE COMMITTEE

Lucy Scharbert

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Public Audit and Post-legislative Scrutiny Committee

Thursday 9 January 2020

[The Deputy Convener opened the meeting at 09:00]

Decision on Taking Business in Private

The Deputy Convener (Liam Kerr): Good morning, and welcome to the Public Audit and Post-legislative Scrutiny Committee's first meeting in 2020. I ask everyone in the public gallery to switch electronic devices off or switch them to silent mode so that they do not affect the committee's work.

We have received apologies from our convener, Jenny Marra, so I will convene the meeting. I welcome David Stewart, who is attending in place of Jenny Marra.

Agenda item 1 is a decision on taking business in private. Do members agree to take items 3 and 4 in private?

Members *indicated agreement.*

Section 22 Report

“The 2018/19 audit of the Scottish Police Authority”

The Deputy Convener: Item 2 is consideration of the section 22 report, “The 2018/19 audit of the Scottish Police Authority”. I welcome to the meeting Caroline Gardner, the Auditor General for Scotland, and from Audit Scotland Mark Roberts, who is audit director for performance audit and best value, and Stephen Boyle, who is audit director for audit services. I invite the Auditor General to make an opening statement.

Caroline Gardner (Auditor General for Scotland): Thank you, deputy convener, and happy new year to you and the other committee members.

Today's report is presented under section 22 of the Public Finance and Accountability (Scotland) Act 2000. It is the sixth consecutive report that I have prepared following the annual audit of the Scottish Police Authority. The auditor—Stephen Boyle, who is sitting to my right—has given an unqualified opinion on the SPA's annual report and accounts for 2018-19.

The SPA has maintained the improvements in the quality of its accounting that I reported on last year, and there have been clear improvements in its financial reporting. The annual report and accounts were signed off earlier than in previous years, and the financial statements were of a good standard. I welcome the progress that the SPA has made, but nonetheless the organisation continues to face considerable challenges.

In 2018-19, the SPA's operating deficit was £35.6 million. That was agreed with the Scottish Government, and it was accommodated from elsewhere in the Scottish budget. Plans to achieve financial balance in 2020-21 will now not be achieved. That is due in part to planning for the impact of withdrawal from the European Union, which has meant that the planned reduction in police officer numbers has been postponed. The SPA now needs to reach agreement with the Scottish Government on how it will achieve financial balance in the longer term while still delivering its policing 2026 strategy.

Robust workforce planning is an essential part of the SPA's overall financial planning. The workforce accounts for about 85 per cent of Police Scotland's expenditure, and having the right workforce in place is crucial to the delivery of the policing 2026 strategy, so detailed workforce plans are needed urgently.

The recent resignation of the chair of the SPA highlights the continuing lack of clarity on how the

system of policing in Scotland should operate, and in the roles and responsibilities of all those involved. The SPA and Police Scotland were established in 2013—almost seven years ago. As I reported at the time, that was a major piece of public service reform, which was carried out very quickly, and its history since then has been turbulent. In my view, it is now time for a review of the way in which the system of governance and accountability as a whole is operating, which should take in the roles that are played by the Scottish Government, Her Majesty's inspectorate of constabulary in Scotland and the Police Investigations and Review Commissioner, as well as by the SPA and Police Scotland. In order to protect public confidence, it is essential that everyone involved has a shared understanding of how the SPA will fulfil the role that is envisaged for it in the legislation, and what else is required for it to do so.

My colleagues and I will do our best to answer the committee's questions.

The Deputy Convener: Thank you, Auditor General. Alex Neil will open the questioning.

Alex Neil (Airdrie and Shotts) (SNP): Happy new year, Auditor General. I will start where you left off, in thinking about the future. Here we are again—the SPA has a temporary chair and an interim chief executive. Although progress has undoubtedly been made on the reporting of financial matters and so on, there are still serious questions about stability at the top of the organisation. The departing chair made a number of statements that suggest that all is not right in the SPA.

You suggest that a review should take place. What should be the remit of that review? Should it be an independent review, a parliamentary review or a public inquiry? What format should it take, what should be its purpose and who should undertake it?

Caroline Gardner: To start, I will take a step back from your final question. As I said in my opening statement, the SPA, Police Scotland and the new system of policing in Scotland have been in place since early 2012, which is nearly seven years ago. In that time, there have been four chief constables and three SPA chairs, and a series of concerns have been raised about the way in which the SPA has been operating. As the committee would expect, my team and I have thought carefully about what we have seen through our work and the wider picture. As I say in the report, it seems that there is not a clear and shared understanding of the roles of all the players: not just the SPA but Police Scotland, the inspectorate and the Government, among others.

Since 2012, other parts of the system have grown and changed. The Justice Committee has established the Justice Sub-Committee on Policing, which plays a role in what we are discussing today; the Scottish Government's police sponsor division now has around 40 people, so it is a significant team in its own right; and there is a real focus on making sure that the system as a whole, rather than just the SPA, is working properly. The SPA needs to develop its own capacity and capability, as I say in the report, but the focus needs to be on the way in which the whole system works together to deliver a delicate balance between making sure that policing is properly held to account in the way that we all expect, given the powers that the police have over our lives, rights and freedoms, and ensuring that policing is accountable in a democratic society and continues to be delivered by consent.

Alex Neil: Does that mean that you see an independent review looking at the entirety of the future management and delivery of policing in Scotland?

Caroline Gardner: Yes. My concern is to make sure that we do not continue to focus solely on the SPA, although it has a very important role to play. As Her Majesty's chief inspector of constabulary highlighted, the work can be done in different ways, but we need to look at the system as a whole. It is not for me to set out how that should be done—it could be done by Parliament or Government. The way in which a review is undertaken is less important than the idea that it should look at the system of policing as a whole rather than at an individual part.

Alex Neil: You mentioned that there are 40 people in the Scottish Government police sponsor division looking at what is happening, on top of all the staff in the SPA, the police, the inspectorate of constabulary and other areas such as forensics. That seems to be quite a lot of people.

Caroline Gardner: That is the sponsor division for policing across Scotland; I agree that it is a big team. The system has grown since 2013 in response to events, and because it was felt that there was a need for oversight of what is happening in policing. In addition, the Justice Sub-Committee on Policing has been established. However, what we have not done is step back and ask whether the whole system is working as intended under the legislation.

Alex Neil: Right. Looking to the future, it is clear—taking into consideration the departing SPA chair's comments and your comments about the financial situation—that the immediate period is still quite worrying. As you say, it is estimated that, as things stand, the deficit will carry on potentially until 2022. Is closing the deficit contingent on shedding the manpower figures—nearly 800

officers—to which your report refers? Is there currently a deficit because we still retain those kind of numbers?

Caroline Gardner: I will ask Stephen Boyle to comment on that in a moment. Last year, I reported that there was a plan in place to achieve financial balance by 2021-22, which was contingent on moving away from the fixed target of 17,234 officers and reshaping the overall workforce. The plans that came forward during 2018-19 did not focus on making the planned reductions in police officer numbers, which was attributed to the requirements of the United Kingdom's withdrawal from the EU. Your question is about what happens next; I ask Stephen Boyle to pick that up.

Alex Neil: Perhaps he can give me an indication of the number of officers that are required to carry out EU functions and say whether, given where we are now with regard to leaving the EU, those officers are still required.

Stephen Boyle (Audit Scotland): I will do my best, Mr Neil, but I might not have the specific number of officers that you are looking for.

Alex Neil: What is the order of magnitude?

Stephen Boyle: I will step back from the question for a second, but I will do my best to cover that point.

We agree on your point about the financial sustainability of the Scottish Police Authority, which reflects the challenge to the overall spending of Police Scotland. One of the main themes of our report is that the SPA's financial sustainability is not on an even keel. Police Scotland's chief financial officer took the most recent SPA financial report to the SPA's board meeting in September and outlined two options for returning to financial balance. One option was to reduce police numbers by 750, which is a number that has been talked about for a significant period of time as a possible way to deliver financial balance. The second option was to receive an uplift in funding from Government.

The rationale for the delay in achieving financial balance, which it was previously anticipated would be achieved by 2021, was based on the operational requirements in meeting the implications of the UK leaving the European Union. The chief constable said that, from an operational perspective, it would not be possible to reduce police officer numbers by 750 while maintaining an effective policing service, which had implications in terms of the timescale for returning policing to financial balance.

To go back to your question, I do not have the specific number that you are looking for, but we can come back with that.

Alex Neil: You can supply it.

You said that one of the options that was looked at involved reducing the number of officers from 17,200-odd to under 16,500.

Stephen Boyle: That was one scenario.

Alex Neil: Was it considered seriously?

Stephen Boyle: It was considered in the context of the need to deliver financial balance.

Alex Neil: There is currently a hiatus in the budget process, for reasons that we all know about. Nonetheless, how much additional money will the SPA require next year and the year after that in order not to shed 750 officers?

Stephen Boyle: In the current financial year 2019-2020, the SPA forecasts a deficit of £25 million.

Alex Neil: That is with the existing arrangements.

Stephen Boyle: That is within the existing funding envelope. As we touched on in the report, the SPA is able to continue delivering services by receipt of cash allocations. The Scottish Government is providing around £35 million for it to continue operating during the current year, along with a one-off allocation of £17 million to allow it to meet the costs of Brexit. Together, those two allocations add up to something in the region of £42 million, which is the operational implication of continuing to deliver services plus the EU context.

Tens of millions of pounds would be needed to meet the scenario of not reducing officer numbers and to move the SPA from its current position—in which it has been for many years—of receiving Government support above its overall Government grant allocation. The Government chooses to do provide that support to rebalance the SPA's financial position.

Alex Neil: I come to the bottom line. In order for the SPA to properly plan the services that it has to provide and to ensure that it has the officers to deliver those services, how much additional money will it require over the next two financial years?

Stephen Boyle: It has received £17 million in the 2019-20 financial year, and it anticipates that it will receive cash funding to match the £25 million deficit in the 2019-20 financial year.

Alex Neil: That is not confirmed—or is it?

Stephen Boyle: I would need to come back to you in writing on that. There is an inherent assumption that the SPA will continue to receive that funding, as it has in previous years; otherwise, there will be significant cash-flow implications for

the organisation in respect of meeting its obligations as they fall due.

Alex Neil: Are you saying that there is no shortfall in funding for the next two years?

Stephen Boyle: No—to be clear, that is not what I am saying. The SPA's financial position has had to be supported over and above its funding allocation with additional cash provision during the financial year.

09:15

Alex Neil: What I want to know then is, in the budget that will have to be set at some point in the next couple of months, how much of an additional funding allocation does the SPA need for the next two financial years, starting in April this year, to avoid having to reduce the number of officers by 750 or so?

Stephen Boyle: I will do my best to give you a broad figure, but it might be for the SPA to give you the specifics of what it needs. I suspect that much of that funding will come through the budget that Police Scotland's chief financial officer will take to the SPA board in March. In essence, it will be tens of millions of pounds. I assume that the SPA will require in the region of £40 million to £50 million in order not to have to continue to receive cash allocations during the course of the next two financial years.

Alex Neil: Is that per year or for the two years?

Stephen Boyle: As I said, that is my assumption and estimate—it is over the course of the two financial years. The specifics are probably a question for the SPA or Police Scotland.

Alex Neil: Yes, but the order of magnitude is that an additional funding allocation of about £40 million over the next two financial years is required to maintain the existing number of officers.

Stephen Boyle: Yes—it is of that order.

The Deputy Convener: I want to stay on that issue. As Mr Neil has just examined, your report refers to the fact that the reason why that financial balance will not be achieved is because the chief constable postponed the planned reduction in police officer numbers. Given that you said in answer to Mr Neil that much of the reason for that was EU withdrawal planning, to what extent could it have been foreseen and planned for by the SPA? A further question that arises is: how much control does the SPA have over the budget if the chief constable can simply say, "I need the officers, so that is what will happen"?

Caroline Gardner: That is a good question. First, I am not sure that the SPA or anybody else could have predicted the events surrounding

Brexit last year. It was a turbulent year in all sorts of ways, especially towards the end.

The wider and more central point is that the SPA is fundamentally reliant on Police Scotland and the chief constable for things such as workforce planning. That is one reason why I began this morning by saying that the question is about not just the functions of the SPA and the way in which they are carried out but the roles and responsibilities of everyone who is involved in policing in Scotland. Since 2013-14, I have been reporting on the central importance of having good workforce plans for policing in any case, because of the financial sustainability gap that was apparent at that time. Increasingly, as Police Scotland has done some of the work for the policing 2026 strategy—which has highlighted changes in public expectations, technology and types of crime and the need for policing to change in response—we have heard concerns about the effect on the police staff workforce of maintaining the target of 17,234 police officers and questions about whether that is leading to the right allocation of work between police officers and civilian staff.

We do not yet have detailed workforce plans for the way in which policing 2026 will be delivered, but it is likely that there will be a different mix of staff from that which has been required in the past. It is difficult for the SPA to do that without the Police Scotland team preparing the detailed information that is required based on a professional policing perspective. However, if the SPA does not have that workforce plan, it cannot do the financial planning that will be needed to enable it to engage with Government on what the priorities are and how they are funded. There is a circular element. My concern is that, although the SPA is in the spotlight, the system as a whole needs to operate well for it to be a functioning and effective way of organising policing in Scotland.

I am not sure whether Mark Roberts wants to add to that.

Mark Roberts (Audit Scotland): No—I have nothing to add.

The Deputy Convener: On financial planning, you say that the SPA has identified two options. Again, Mr Neil was right to explore that issue.

In relation to the medium-term financial situation, there are—as you mentioned, Auditor General—two suggested options. One is to adjust the mix and structure of the workforce, and the other involves additional funding. We know from your report that there are no immediate plans to reduce the workforce but, equally, we know that the financial situation will be driven by the budget. Might it be suggested that neither of the options that have been identified in the planning is feasible?

Caroline Gardner: In an ideal world, we would like to see what we have been calling for since 2013: strong, robust workforce plans that say, “This is what policing will look like in 10 or 20 years’ time; this is the workforce that we will need to deliver that, including police officers and new types of specialists in cybercrime and other specialisms; and this is the civilian staff that we will need to support that way of working, which will be affected by different uses of information and communication technology and will therefore require different estates and buildings around the country.” All those things would then play into the financial plan.

However, we do not have such plans. What we have are broad projections of the costs of carrying out policing as it currently exists and of either increasing or decreasing the number of police officers and staff, which then feed back into a budget number. In a sense, in the absence of workforce plans, that is all that we can do. Workforce planning is an important way of making sure that policing is fit for the future. It would provide the best basis for saying what we can afford and how we should prioritise, and how we should balance those two things. That would have to be an iterative process, but starting with workforce plans would be a much better way forward.

The Deputy Convener: A question arises from that. You have been calling for workforce planning since 2013—that is not news to the committee, and it is key to all the areas that we look at. On whom is the onus to do that planning, and who has not been doing it for the past seven years?

Caroline Gardner: As I said in response to your earlier question, the only people who can do the detailed professional planning are the leaders of Police Scotland, with support from their teams and the people whom they employ. The SPA has a clear responsibility for testing and probing how that matches up against the policing 2026 strategy, the policing priorities and the strategic direction that is set by Government. However, it would be very odd for anybody except Police Scotland to prepare those plans, given that it is responsible for operational policing and for understanding how policing is developing in a professional sense both in Scotland and globally.

The Deputy Convener: My next question might be for Stephen Boyle. The annual report says:

“100 officers were recruited”

relatively recently

“to reverse a reduction of 100 officers”.

That is not cost neutral. I am not an expert on police recruitment, but I know from a previous life that it costs quite a lot of money to reduce a

workforce and then to increase it again. What were the additional costs of, first, the reduction and then the re-recruitment?

Stephen Boyle: If I am correct, you are quoting paragraph 45 of the “Scottish Police Authority Annual Audit Plan 2018/19”. The cost implications of the reduction in police officer numbers are perhaps not as significant as you might anticipate. Our expectation is that they are not related to exit costs or redundancy arrangements. With a workforce of 17,000 and a police officer cohort of approximately 11,000 within that, there is a significant level of churn. Given the volume of recruitment that takes place in policing, Police Scotland is able to vary the pace, should it wish to do so, in such a way that it is not required to resort to redundancy measures.

I can give you an approximate figure for those implications. We assume that the cost implication of bringing 100 police officers on to the police force for a full year would be of the order of £4 million or so. I am doing my best to give approximate answers to all your questions, but perhaps Police Scotland could give you the specific costs.

Caroline Gardner: It is worth remembering—I make this clear to everyone—that it is not possible to make police officers redundant. The workforce has to reduce naturally, and recruitment makes up the gap from there.

The Deputy Convener: Thank you. I will ask my final question. Your report indicates that the medium-term financial position remains challenging. Earlier, we discussed the fact that there is no funding available beyond 2019-20 to support the additional officers. Do you have any indication of how the Scottish Government is responding to that position?

Caroline Gardner: In the programme for government that it published in the autumn, the Scottish Government was supportive of the need to maintain policing for the future, but we do not yet have the detail of what that means in cash terms. As Stephen Boyle said, a budget deficit is planned again for this year, but for subsequent years neither the expenditure nor the revenue sides of the equation are clear. We understand that the two scenarios to which my report refers will be the basis for discussion between the SPA, Police Scotland and Government. However, it is important that we move to a more sustainable approach that involves planning rather than filling a budget deficit year by year, and in some instances only very late in the financial year concerned.

Anas Sarwar (Glasgow) (Lab): Good morning, and happy new year. Auditor General, you will probably guess the area that I will focus on, which

is the workforce. In your report, you mentioned the urgent need to prepare a detailed workforce plan. That is connected to policing, but there are challenges across the Scottish Government around workforce planning. Can you set out the challenges around developing a workforce plan for policing in particular, and tell us what that might mean for vacancy rates and the skills gaps that currently exist?

Caroline Gardner: I will ask Mark Roberts to come in shortly.

We know that many organisations find workforce planning difficult; as the deputy convener said, the committee has seen that recently in the national health service. I reported previously that one of the things that has made workforce planning in policing more difficult has been the floor of 17,234 officers, which has meant that financial pressures could be responded to only by reducing the number of police staff. That has led to concerns that police officers are doing work that police staff are better able to do or could do at a lower cost, and it has added complexity to workforce planning in policing.

Mark Roberts: I will build on that. The fact that there has been so little financial flexibility has meant that there has not been the headroom to shift the balance in the workforce both between police officers and civilian staff and in the skills mix within that. In the early days of the SPA and Police Scotland, reform funding was available but, to a large degree, it was used to maintain day-to-day operational spending in order to reduce the scale of the deficits in those organisations. They were therefore unable to take the opportunity to invest that money to shift the workforce in a different way.

As the Auditor General said, that brings us back to the significant constraints that were placed on Police Scotland's manoeuvrability in shifting its workforce by its finances and the floor of 17,234 officers. The policing 2026 strategy clearly articulates the need for a workforce shift with regard to how the workforce might need to adapt in order to meet future challenges. As I said, there has not been the space or wiggle room to enable the organisation to move towards that.

Anas Sarwar: You mentioned the policing 2026 strategy, which is similar to the situation in the NHS. Sometimes an organisation can have the best plan in the world, but it will not work without a balance between having the right plan, finding the right people, having the right skills mix and—crucially—getting enough people, which is a challenge in Scotland. Where does the balance lie in meeting some of the challenges that arise from the policing 2026 strategy?

Mark Roberts: That is a hard question to answer. One example of a challenging area that springs to mind is the growing issue of cybercrime. Across the public sector and beyond, it is challenging to recruit people with the right skill set to work in that field. Police Scotland has identified that as a big issue; as all other organisations do, it operates in a competitive market to access the people who have the skills to work on such issues.

Anas Sarwar: Could the Scottish Government do more to ensure that there is better workforce planning across the public sector and that better connections are made to attract people to Scotland in areas in which an immediate skills gap has been identified? Do the challenges relate to structural issues rather than specifically to the policing 2026 strategy?

09:30

Mark Roberts: There is always more that can be done to improve structures across different sectors. You mentioned the NHS, which has a huge workforce; we have previously reported on NHS workforce planning and what needs to be done to improve it. More can be done to share good practice and experience across various sectors of Government. That is happening in some cases, but not in others, so perhaps a behavioural and cultural solution, rather than a structural solution, might be encouraged.

Anas Sarwar: My final question is for the Auditor General. Might Audit Scotland do some work in that area? Almost all—if not all—the reports that we get from you mention workforce challenges, vacancy rates and skills challenges. Might Audit Scotland do a piece of work that brings together the workforce planning challenges and issues that organisations across the entire public sector face—such as identifying vacancy rates and finding the right skills mix and numbers of people—and highlights the deeper challenges around solving those issues across the board?

Caroline Gardner: As always, the challenge for us is what we cannot do, rather than what we can do, within the resources that we have available.

Anas Sarwar: There are workforce challenges at Audit Scotland.

Caroline Gardner: There are indeed, as there are in all public sector bodies. I shall certainly take your idea away and look at what we may be able to do. We place a premium on providing guidance on good practice, based on our findings, for members of public bodies and Government; we have previously done that for workforce planning.

To add to what Mark Roberts said, even when workplace planning is working well in one sector, we are not joining the dots across the public

sector. We know that police officers spend a lot of time looking after people with mental health problems because they cannot get a quick response from the health service to get staff with specialist mental health skills. Maybe we could do more to identify those connections and linkages that would help to reduce the pressures on budgets and on the workforce in public services, and that would potentially enable the provision of better services to people across Scotland who need them.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Good morning. I have a few questions about the digital, data, information and communications technology strategy that is mentioned in your report. In 2018, Police Scotland set out a business case for the strategy and said that £298 million was required to deliver it over the next nine years or so. Given the experience with the i6 project, it is reasonable and understandable that Government should conduct a more robust analysis of the business case. Can you give us a flavour of where the project currently is?

Caroline Gardner: I will ask Stephen Boyle to pick up that question.

Stephen Boyle: The number that Mr Coffey has quoted is right. For completeness, I note that the £298 million in the analysis is split between anticipated revenue requirements of £254 million and capital of £44 million.

Progress so far has not been what was anticipated or hoped for by Police Scotland with regard to the timeline and the investment that it would be able to deliver. There was some allowance made for that level of progress. Partly as a result of Police Scotland's reflections on the i6 project, the new strategy was designed to be modular in its implementation, which would allow for variations in the availability of funding for projects and in delivery timescales. All the eggs were not in one basket; that also extended to anticipating the use of a broader range of suppliers to deliver the project. The capital funding has not been provided in the way that was anticipated, which means that progress has not been as quick as expected.

The main area in which progress has been made is hand-held devices for police officers. At the time that the strategy was drawn up, there was a lot of talk about police officers continuing to take written notes in interviews or when talking to members of the public, but there has been a move away from that, and officers are now able to access smart devices and technology on the doorstep.

Much of the rest of the investment requirement related to improvements in some of Police Scotland's back-office functions. As the committee

will be aware, there has been underinvestment in the police information technology infrastructure for many years, to the extent that a range of systems have not connected effectively with one another and there has been multiple keying in of evidence or interview notes by officers. The investment that was identified was required to modernise all that. Police Scotland anticipates that that work will still happen in due course, but it will depend on the availability of funding. That is another reason why the service has not transformed at the pace at which it was expected to do so. All of that is connected with workforce implications and, in due course, with the financial balance.

Willie Coffey: Thank you for that. I know that an additional £11 million was allocated for the mobile device project. Is that aimed partly at addressing one of the purposes of the i6 project? As I understand it, the goal was to replace 130 or so electronic and paper-based systems for crime reporting. Is the mobile device project doing that, at least partially?

Stephen Boyle: That is my understanding.

Willie Coffey: It is encouraging to hear that. Do you see progress being made over the next few years in a modular, piecemeal fashion, whereby projects that are affordable and deliverable in the short term will be picked off, or is Police Scotland seeking agreement for its whole strategic vision for ICT up to 2026? What approach is it taking?

Stephen Boyle: In answering that, I would probably make the assumption that the extent to which Police Scotland can implement its digital, data and ICT strategy is aligned with the level of funding that is required to replace its existing technology infrastructure and the extent to which it can bring in the associated new capital investment. The availability of funding will dictate the pace at which transformation can happen.

As Mark Roberts mentioned, the other important aspect is Police Scotland's ability to access the level of ICT skills that it needs to support its workforce transformation, which must sit alongside the investment in technology.

Willie Coffey: Do you have any indication of when we might get a bit more clarity on the Government's view on the strategic vision for ICT? Do you have any sense of when we might get a handle on that?

Stephen Boyle: I assume that what that means for Police Scotland and its ICT infrastructure investments will come through in the next budget that the Parliament approves.

Colin Beattie (Midlothian North and Musselburgh) (SNP): Broadly, it seems that good progress is being made in quite a few areas but, inevitably, we must look at the negative bits, too. I

will come on to leadership and governance, but first I would like to check on potential costs.

In paragraph 18 of the section 22 report, you say that, in 2018-19, the SPA appointed seven new board members. Are any of them additional? Are there additional costs associated with them? The report also mentions the appointment of a new chief executive, but there is an interim chief executive—I am not sure when that person took up the post. Is there an additional cost to that? Apparently, there will continue to be an interim chief executive until November 2020. The report also refers to

“a new Chief Constable, three new Deputy Chief Constables and several new Assistant Chief Constables”.

Are there additional costs associated with those appointments?

Caroline Gardner: I am afraid that there is not a simple yes or no answer to that question. The information in paragraph 18 to which you refer is specifically about recruitment. I think that in every case except that of the chief executive, there were some additional posts and some replacements of people who were leaving or moving on for various reasons.

The team will keep me straight, but I think that when the new chair was appointed in December 2017, she made some appointments to vacancies on the board, looked at succession planning for when people were due to leave, and made sure that there were plans in place to bring the board up to full complement. Therefore, there was additional cost in relation to what had been spent, but not in relation to what had been planned for membership of the authority as a whole.

The new chief executive was appointed in October 2018 to replace the interim chief officer, who came to the end of his secondment from the Government to see through the SPA, so there was not an additional cost but a replacement of somebody who had been there on an interim basis. The new chief constable obviously replaced the former chief constable and there was then the review of the structure of the senior team and recruitment to the vacancies that existed at that point.

I am not sure whether Stephen Boyle or Mark Roberts want to add anything to that, but that is the picture of recruitment to vacancies and one or two additional posts.

Colin Beattie: I am just trying to find out whether we are recruiting more chiefs at the expense of Indians.

Caroline Gardner: There has been growth in the size of the leadership team in Police Scotland. I do not have the detailed numbers here, but that

is certainly something that the committee could explore.

Colin Beattie: Moving on to corporate function and governance, clearly that has been a problem in the SPA for the past few years, which I think the previous chair and the chief executive officer recognised. There was supposed to be a focus on capacity building. However, paragraph 31 of your report states:

“I remain concerned about the capacity and capability of the Scottish Police Authority corporate function”.

Given all the changes that have taken place, and assuming that the new board members and so on are supposed to strengthen the board, has there been any change in that position? Does the SPA look stronger than it did previously? Have the changes caused any significant movement in terms of quality and governance?

Caroline Gardner: I will start where you started your question a moment ago, Mr Beattie. As I say in my report, it is important not to lose sight of the fact that there have been some real improvements in financial management and reporting, which is core to our interests, and in the transparency and openness with which the SPA carries out its business. We report also on some improvements in performance reporting that happened in 2019, and there has been recruitment to some key roles, as we were just focusing on, during 2018-19. Those are all real improvements that I welcome.

At the same time, however, there has been a delay in building corporate capacity and the organisation of the Scottish Police Authority: that is, the team that is required to support the authority in carrying out its function under the legislation. That delay is a function of the lack of agreement and of shared understanding of what the authority's role is, and of how it relates to Police Scotland, the Government and the other players in the system—which is where we started this morning. That lack of clarity will continue to be a barrier to development until it is resolved. It is making it harder than it should be to grapple with some of the challenging questions about what policing in Scotland should look like in the future, what that means in terms of people and staffing, and how we will afford that, as a country.

For me, then, the underlying problem is the lack of shared understanding of the authority's role and, therefore, what support it needs and how it relates to the other players around it.

Colin Beattie: The outgoing chair, despite all the focus on capacity building and all the rest of it, said in June 2019 that there had been no progress. Why?

Caroline Gardner: That is really a question for the former chair herself, but my view is that that

relates to the lack of shared understanding—not just in the authority, but right across the system—about what the authority is there to do and how it relates to the other players in the system.

As my report says, there was also turnover in the role of the chief executive. The chief executive who took up post in 2018 left in late 2019, after a period of sickness absence. The absence of a chief executive will clearly also have held up progress. However, that is also part of the wider question about what the SPA is there to do and how it relates to the other players in the system.

Colin Beattie: I am interested in some of the points that you have been making. From looking back at reports that have come to the committee over a period of years, we can see that there has clearly been a long period of instability and, frankly, poor governance in the SPA. Your comments on the uncertainty about the role of the SPA raise questions: is it fit for purpose, does it have the right structure and should it be reviewed? We go on year after year, but we do not seem to be making the step change that is needed to make the SPA an efficient functioning body.

09:45

Caroline Gardner: I agree with part of that, but my concern is that we should not focus simply on the Scottish Police Authority, because it is part of a wider system of policing that was put in place back in 2013. That was a major public service reform—probably the biggest since devolution—and it was carried out very quickly, as I reported at the time.

As you said, since then we have seen the effects of there having been different views from different chairs, chief executives and chief constables on the role that the SPA plays in relation to Police Scotland and the Government. For example, early on in the creation of the SPA, the view of the chair was that it should have very few staff and that most of the services should be provided to it by Police Scotland. That meant that many roles were filled on a temporary basis. For example, rather than setting up a strong finance function and putting in place a director of finance, the SPA filled posts on an interim basis. However, the second chair had a different view and started moving in a different direction.

The shared understanding of what the SPA does and how it relates in particular to Police Scotland, but also to the Government and HMICS, has never been fully explored. There is a need to review that. The issue is not just about the role of the SPA; it is about the system as a whole.

Colin Beattie: In your report, you make the interesting point that

“the former chair and some other board members operated in a more executive capacity than I would expect.”

Will you expand on that?

Caroline Gardner: There are two aspects to that. Partly because the organisation was and is still underdeveloped, and because for part of the period to which the report relates the chief executive was on sickness absence, there was no alternative but for the chair and other non-executive members of the authority to be more involved in the running of the organisation than I would otherwise have expected.

However, over and above that, there are still differing views about what the role of the authority ought to be and the extent to which it is a board that oversees a team of executive officers doing work on its behalf, or an authority that plays a more direct role in overseeing policing. The legislation is silent on that nuance of how the authority carries out its work, but it seems to be clear that there needs to be a common understanding—not just among members of the authority but in Police Scotland, the Government and HMICS—of that in order that the SPA can build the organisation, recruit people and get to the state in which it can operate effectively.

In my view, the amount of time that the chair and some members of the authority were working last year was more than I had expected for board members, but if we are talking about the authority having a more direct role in overseeing policing, the amount of time that will be required of authority members could well be more than was originally envisaged. That question is bigger than being just about the amount of time that is spent by individuals.

Colin Beattie: Given where we are now, several years down the line, is there a case for the Scottish Government to step in and define and clarify the roles? Will the authority be able to work that out for itself or will somebody else have to do it?

Caroline Gardner: I do not think that the authority can do that by itself. There has to be a shared process that involves the SPA, Police Scotland, the Government and HMICS in order to ensure that they can all agree a vision and a set of working practices that are clear about who does what and who is accountable to whom—the accountable officer line is another important issue—and then equip themselves to carry out those roles without the ground constantly shifting as individual players change.

Colin Beattie: I have a final question. We have touched on the issue. The chair of the SPA's input increased substantially during the period that the report covers—I think that it went up to 20 days a month. That was agreed with the Scottish

Government. Was that extra input justified? Did the former chair suggest and define the increase, or was it at the Government's request?

Caroline Gardner: You are right that that was agreed with the Scottish Government, along with a set of agreed objectives for the chair. It is important to remember that, at the point at which the former chair was appointed, policing in Scotland had been through a very difficult period, with the departure of a chief constable, a chair of the authority and a chief executive of the authority. As I say in the report, the former chair was involved in an awful lot of work on making appointments to the authority and to Police Scotland, on changing the governance arrangements and on increasing openness and transparency.

In the circumstances, I think that that was justified, but in terms of the way in which the role of the SPA is understood at present, the time spent was more than I would expect a chair and non-executive members to be spending in carrying out their roles. I am not criticising the individual; I am saying that that is another indication of a system in which roles and responsibilities are not clearly defined.

Colin Beattie: I will make a small point. I asked whether the chair suggested the increased input, or the Scottish Government asked the chair to increase their input.

Caroline Gardner: My understanding is that that was the result of dialogue between the two, but I do not know who initiated it.

David Stewart (Highlands and Islands) (Lab): I have a very straightforward question. As you know, the annual audit report pointed out that, without a corporate plan and planning framework, the SPA cannot assess its own performance in holding Police Scotland to account. Will you expand on that point?

Caroline Gardner: Certainly. The SPA has been focusing on the direction of policing as a whole and engaging with Police Scotland on the way in which reporting back to the authority on performance will happen. So far, it has not put in the work that is needed to be clear about its own role, which is a recurring point that we have been coming back to throughout the meeting. Mark Roberts might like to say a bit more about what we saw in that regard.

Mark Roberts: As the report says, in the early part of 2019, Police Scotland established a new performance framework, which was a significant step forward in providing performance management information and performance reporting that the SPA could then use. What was lacking was something beyond that, to which the SPA could go in order to look more broadly at the

information, to set it in a wider context against other benchmarks and to give itself a system for assessing how well it was doing in holding Police Scotland to account.

We were arguing for the SPA to look at something that would allow it to assess its own performance in holding Police Scotland to account, and to take a broader view of the information that is provided to it by Police Scotland.

David Stewart: Do you have any insight into why there has been a delay in the SPA's development of a corporate plan?

Mark Roberts: That probably comes back to some of the issues that the Auditor General has mentioned, such as the limited capacity in the Scottish Police Authority as an organisation, the large amount of turbulence that has gone on over the past few years and the fact that there have been a number of interim chief executives in place and a chief executive who was on long-term sickness absence. All those factors have slowed progress in developing the plan. There is clear recognition that that is important and needs to be done, but the capacity of the organisation to do it has not been there.

David Stewart: It seems to me that the development of a corporate plan is extremely central. I understand that there has been turbulence, change and movement but, in effect, the lack of such a plan means that the SPA has no financial compass. It raises the question of—to continue my analogies—who is guarding the guards in this situation. Do you have any insight into whether development of a corporate plan is a matter of urgency for the future, as it is crucial?

Mark Roberts: We absolutely think that it is important and, as you say, having that compass and all the other associated instrumentation that goes with that is absolutely vital for the SPA to be able to know in the broadest sense how well Police Scotland is performing and delivering against its priorities and the policing 2026 strategy, and also how well the SPA as an organisation is performing in holding Police Scotland to account. That comes back to the wider point that we have been discussing about clarity on the roles and responsibilities of the SPA.

David Stewart: Clearly, a new chair will be appointed at some stage in the future. Do you know whether the issue is a matter of top priority for the new board and the new chair?

Mark Roberts: At the moment, an interim chair is in place. I am not clear as to whether there is a defined timeline; I would have to come back to you on that. I do not know whether Stephen Boyle knows anything, but we might have to await the appointment of a permanent new chair.

Bill Bowman (North East Scotland) (Con): I will stick with the annual audit report, on which I have one or two questions.

You made the point that neither the performance report nor the governance statement referenced reported weaknesses in the SPA's corporate function. You said that your audit opinion requires you to

"consider the consistency of the disclosures and identify any potentially misleading information. This omission was deemed to be an issue in both respects."

Perhaps adjustment was made for that in the final financial statements, but do you know how the omission occurred?

Stephen Boyle: You are right. The unaudited accounts that were provided to us did not reflect the significant comments that the former chair made in one of her board reports about the weakness of the SPA's corporate function. In our judgment, that required to be reflected in the governance statement.

We probably do not have a detailed answer on why that was not picked up. My assumption reflects the fact that preparation of the accounts involves a large number of parties within the Scottish Police Authority and does so to a greater degree than is the case in other organisations, whereby the finance department and corporate functions play an important role. The process involves officials and board members from the SPA and finance officials from Police Scotland. Something in those arrangements fell through.

We were pleased that it was quickly recognised that that was an important disclosure that had to be made. As the committee will see, the final version of the annual report and accounts makes the necessary disclosure. However, we are also reassured that, in its plans for its 2019-20 annual report and accounts, the SPA has recognised the need for full disclosure on the whole suite of events.

Bill Bowman: Does that suggest that, apart from yourselves, no one reads such financial statements from cover to cover?

Stephen Boyle: I am not sure that I would make that judgment. In the course of an audit, we make many judgments. What we receive in the unaudited accounts is an important milestone in the accounts overall. We have been trying to make the point, not just to the SPA and Police Scotland but across all public bodies, that the unaudited accounts are themselves a statement of their financial results for the year that has gone. We have emphasised that, by the stage those accounts come to be provided to auditors, they should not still be regarded as another iteration in the process. We think that the SPA and Police Scotland recognise that, and we expect that

recognition to be reflected during the audit process that we will undertake over the course of the summer.

Bill Bowman: So there is a risk that they might see you as being part of the accounts preparation process rather than as having a reporting function on a complete set of financial statements.

Stephen Boyle: Arguably, that risk might apply to auditors in any audit process. We are very clear about the boundaries of our role and the independence of the auditors. Nonetheless, we will make sure that we read every single word in the annual report and accounts and that we draw on our wider sources of evidence. The comments of the former SPA chair, to which you referred, are an example of those.

Bill Bowman: I looked at the report in quite a bit of detail, because I remembered that, last year, an issue came up to do with board members' expenses not being fully supported or something of that sort. Perhaps that has been dealt with for the current year.

However, I noticed one or two other points. For example, there does not seem to be a strategic risk register. The implementation date was stated to be 31 December 2019. The procurement strategy did not yet seem to be in place. The timescale for that was September 2020, which is quite a long time ahead. Further, there was an issue that had been carried forward from the previous year, which related to weaknesses in the payroll system and the processing of journal entries. Many frauds are centred on such processing because, through that system, adjustments can be made right at the heart of an organisation's financial statements. The report does not give a completion date for addressing that; it simply says that further improvements have been agreed.

Does the SPA have a competent, fully functioning audit committee that is on top of all those issues, many of which are serious and relate to the past but are still being worked on, even beyond the date of this meeting?

10:00

Stephen Boyle: I will answer those questions in reverse order. Yes, I think that the SPA has a competent, functioning audit committee that tracks recommendations from Audit Scotland and internal audit. It also has broader scope, whereby it thinks about the recommendations that it receives from other organisations that have commented on the work of Police Scotland and the SPA, including the Scottish Information Commissioner. That aspect is functioning well.

On the question about the points that we have made in our report, the SPA does not yet have a functioning strategic risk register. I think that that is a consequence of some of the other issues that we have talked about that relate to the lack of capacity and capability in the SPA. In contrast, Police Scotland has a well-developed risk management and reporting function. That is coming to the SPA's audit committee. We are reassured that those arrangements are in place. There is more to do and we will continue to track the SPA's risk management arrangements.

You asked about procurement. That has been identified as an issue in Police Scotland. It is working through a detailed improvement programme and is getting a far stronger handle on the monitoring and recording of its contract management arrangements. That is a big piece of work, on which Police Scotland is making progress, and Audit Scotland and internal audit are tracking that.

You also asked about payroll. The control environment was a key area of weakness, but things have undoubtedly improved. Our internal audit colleagues had made a number of important recommendations on that area and we are pleased that those have been implemented. In a lot of ways, that has helped with some of the investment that Police Scotland has made in its payroll function. It inherited a wide variation of payroll arrangements and payroll centres; now, it almost has a single payroll function. In the next few months, for the first time, all officers and members will be paid on the same date. It has taken a lot of work and effort to get to that stage. As the Auditor General mentioned, 85 per cent of Police Scotland's costs relate to staff costs. Getting the assurance that we need on the payroll function will always be an important part of our audit work.

You are quite right that journal entries are an important part of the control environment for any set of annual report and accounts, because the risk of manipulation of any set of accounts increases when a journal entry is posted that changes the resulting disclosures in the accounts.

We include significant testing in our work to gain the assurances that we need that the journals that are being posted to prepare the accounts are correct and accurate. The committee will recall that, a couple of years ago, there was an example of a journal being miscoded, which affected the disclosure and the remuneration report. We have not seen examples of that happening this year, and I am pleased that that allowed us to provide a clean audit opinion on the annual report and accounts.

Bill Bowman: Although there are quite a number of issues that, if you take them at face

value, look serious, you are saying that the situation is a healing wound rather than a festering sore.

Stephen Boyle: That is absolutely right. As the annual report says, and as the Auditor General has noted in the section 22 report, we have seen clear improvements in financial management and the control environment in Police Scotland over the past few years. It is not that long ago that these sets of accounts were signed off in December with modifications to the audit opinion. Police Scotland's accounts are now signed off in September, which is consistent with what happens in large, complex bodies.

The Deputy Convener: I have a couple of questions before we wrap up. Your report notes that an estates strategy is now in place. However, the annual audit report indicates that £150 million of the £400 million investment that is required over the next 10 years is not guaranteed and that that is a risk to the SPA's ability to carry out the work. Will you comment on the level of risk? What is the SPA doing to address it?

Stephen Boyle: Ultimately, that is part of the wider funding requirement that the SPA has identified that it needs to transform its activities. What that means for how and where it will deliver services is reflected in part in its estates strategy, which is part of the overall suite of strategies to deliver the policing 2026 strategy. By way of example, the strategy talks about where police officers will be based and whether that will involve the sharing of services with other public bodies and so forth, given the drop in footfall in police stations that has been experienced in recent years.

Some of the premises that Police Scotland uses to deliver the services that it operates are not in a good state of repair and require investment. The paragraph to which you referred looks to capture the fact that there is a need to invest to ensure that the backlog maintenance requirement that has built up in some of the estate is addressed. There will therefore be some key decision points for Police Scotland as to whether it looks to move away from some of the premises where it has been delivering services and deliver policing in a different way.

All of that captures the scale of risk for Police Scotland until it has clarity on its financial position and the challenge that it faces with regard to how it will plan to deliver services in the medium and the long term.

The Deputy Convener: Thank you. I have a final question. The former SPA chair's total remuneration for about 11 months was more than £200,000. Given what you know about the changes and perhaps advances that have been

made during that time, do you consider that that represents value for money for the taxpayer?

Caroline Gardner: The figure that is included in my report is around £125,000 for the 2018-19 year, which is what the report looks at. As I said in response to an earlier question, I think that that was reasonable in the circumstances. We know that it was agreed by the Scottish Government and that the Government also agreed a series of objectives that reflected the situation when the chair took over in December 2017. We have not yet looked at the 2019-20 expenses up until the former chair's date of resignation last month, but my understanding is that the number of days for which she was claiming had come down from the peak in 2018-19. I cannot give you detailed figures, but that is my understanding at this stage.

The Deputy Convener: Thank you. As members have no further questions, I thank the Auditor General and her team for their evidence. I now close the public part of the meeting so that the committee can move into private session.

10:07

Meeting continued in private until 10:42.

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