POLICE REFORM PROGRAMME

OUTLINE BUSINESS CASE

Scottish Government
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EXECUTIVE SUMMARY

1. This Outline Business Case (OBC) appraises three options for the reform of policing in Scotland: eight forces, with enhanced national delivery; a regional force model; and a single service model. The full background to the programme of work and an introduction to the Outline Business Case is set out in chapter 1.

The case for change

2. Police forces across Scotland continue to perform strongly, with recorded crime at a 35-year low, the clear up rate for violent crime at a 35-year high and high levels of public satisfaction. In the face of unprecedented cuts to public sector budgets, the Scottish Government wishes to protect this level of performance. It is not possible to meet that challenge in the current structure and organisation of policing in Scotland. As chapter 2 outlines, reform is needed that provides for long-term sustainability through the ability to deliver savings whilst protecting services to communities.

3. The budget for policing in Scotland was around £1.4 billion in 2010/11. This represents the highest ever level of police funding, and an increase of 20% since 2007. However, driven by UK Government cuts, budgets are now reducing. After relatively high levels of public spending over the past few years, public expenditure is declining, and it may take until 2025/26 for public spending to return to 2009/10 levels. This requires difficult decisions about how and where to reduce cost.

4. While the structure and boundaries of Scotland's eight police forces have remained constant for the last 36 years, there has been significant institutional change elsewhere, most notably with the setting up of the Scottish Parliament in 1999 and, at a local government level, the 32 unitary authorities in 1996/97.

5. Reform also provides the opportunity to address concerns raised by HMICS, the Scottish Parliament Justice Committee, and Audit Scotland about the roles and responsibilities of those involved in holding the police service to account, through strengthened governance and accountability.

Approach

6. The aim of the option appraisal is to consider whether the efficiency savings for each option exceed the costs associated with change, to assess any wider impacts on outcomes, and to identify which option offers the greatest net benefit.

7. The three options considered all represent significant transformation, with the majority of benefits delivered through the reform of the functions of policing. The appraisal highlights the significant efficiency and operational benefits associated with all three options, and draws out the key differences between the options.

8. The assessment provides the economic appraisal in accordance with Treasury Green Book guidance. Quantifiable costs and benefits are assessed first, followed by an assessment of wider impacts on outcomes. Financial appraisals have also been prepared for each option.

9. The analysis of the options for structural reform presented in this report is based on a Target Operating Model (TOM), described in chapter 3. The TOM describes an optimum model for service delivery, allowing an informed assessment of the costs, benefits and risks associated with each option. It provides a visual representation of an organisation across its people, processes and technology, and articulates how these fit together in order to deliver outcomes. It represents a model of the most effective and efficient way to deliver services, but is not a blueprint for any new service.

10. The Target Operating Model was developed by the Sustainable Policing Project from a review of policing functions by professional leads from the police service. It provides the basis for describing models of the reform options, set out in chapter 4.

11. This provides the foundation for the options appraisal within this Outline Business Case: chapters 5, 6 and 7 contain a comprehensive review of monetary and non-monetary benefits, transition costs, and risk factors associated with the three reform options.

Appraisal

12. Taking account of the Government's commitment to maintain police officer numbers, the OBC appraisal demonstrates that a single service delivers the greatest benefits and efficiencies. The economic and financial appraisals indicate that a single police service:

- offers the greatest potential to generate efficiencies: total net present value of £1,364 million over 15 years and annual recurring cash savings estimated at £106 million from the end of the programme of change:
- requires up to £161 million of one-off transitional investment over the programme of change (compared with up to £145m for a regional force model), the main investment costs being for programme management, voluntary redundancy, ICT convergence; and
- delivers greater quantifiable and qualitative benefits relative to the regional and eight force enhanced options.

13. The OBC indicates that a single service model would best deliver non-financial benefits in improvements to service delivery and policing outcomes. The removal of internal boundaries would facilitate specialist resources being deployed flexibly across Scotland as required, and national capacity to tackle threats such as terrorism and serious organised crime where it is needed. This would be achieved through, for example:

- quicker and easier access to appropriately resourced, experienced specialists to support local policing;
- greater interoperability across the service and with law enforcement partners to deal with national and international crime and its impact on local communities;
- common policy, frameworks and reporting, providing greater transparency of cost and performance and enabling the drive of enhanced performance and value.

14. There are risks to be managed within all options. Overall, the single service option presents the lowest risk to delivery of financial and non-financial benefits.

Conclusions

15. In summarising the analysis, chapter 8 highlights that option 3, a single service provides:

- the least complex and most efficient option;
- the best opportunity to reinvest to improve local policing outcomes;
- the highest potential for long-term financial sustainability; and
- the best opportunity to co-ordinate change, optimise benefit and minimise risk.

16. The single service model presents the best opportunity to drive out duplication, ensure consistency, and rationalise existing systems and structures as far as possible. Efficiencies should be realised through economies of scale, with expertise, capability and budgets pooled at a national level then targeted to local need.

17. A single Scottish police service is therefore the preferred option for the future delivery of policing in Scotland, based on the analysis set out in this Outline Business Case.

18. In closing, chapter 9 outlines proposed arrangements to manage progress towards the preferred option. This will be discussed further with stakeholders.

CHAPTER 1: INTRODUCTION

Purpose of the Outline Business Case

1.1 The purpose of this Outline Business Case is to help identify an option for the future delivery of policing in Scotland that will improve local and national services, strengthen local and national accountability, and maximise resources to protect frontline outcomes. As such, it is an integral part of the Scottish Government's wider Police Reform work programme.

1.2 The development of a business case is important to any change programme. Strategies, programmes and projects can fail to achieve their objectives and deliver anticipated benefits if the key phases of the programme have been inadequately scoped and planned and associated risks have not been taken into account.

1.3 The business case is a planning and management tool which enables stakeholders, decision makers and those involved in the delivery of a programme to ascertain that it:

- is supported by a robust case for change that is strategically focused;
- optimises value for money;
- is financially affordable; and
- is achievable.

1.4 The development of the business case takes place over time, and sequentially in relation to the above components. At each iteration the previous steps are reviewed to verify the continued efficacy of work undertaken in the earlier phases, and further detail is provided. In the case of Police reform, this Outline Business Case builds on the Sustainable Policing Reports. It appraises three shortlisted options for reform in accordance with Treasury Green Book Guidance. It provides evidence and analysis to support decisions on the structure of future services, but does not provide a blueprint for the future delivery of those services.

1.5 The OBC is constructed around the following components:

- **The strategic case for change** – sets out the current structure and strategic context for the Police Reform Programme and explains in more detail the key drivers for change (chapter 2);
- **The reform options** – uses 'Target Operating Model' methodology to develop the reform options into models for analysis, drawing on expertise from across the sector (chapters 3 and 4);
- **Options appraisal** – includes economic appraisal; strategic assessment of options; and financial appraisal, including detailed cost profiles, opportunities for savings, and estimated transition costs (chapters 5 and 6);
- **Risk assessment** – identifies key risks and assesses the likelihood of them coming to pass under each reform option (chapter 7);
- **The preferred option** – sets out the comparative analysis of the three options for structural reform based on a review of monetary, non-monetary and risk factors (chapter 8); and

- **Progressing the preferred option** – sets out the proposed way forward for managing the change process (including business continuity, project and change management, benefits realisation, risk management, and post-project evaluation), and outlines how commercial considerations will be managed moving forward (chapter 9).

1.6 As such, the OBC provides the case for making a decision. It is not a blue print of the future service. Further appraisal of the selected option will be carried out as we take forward the programme of reform.

Background

1.7 Over 2009-10, the Association of Chief Police Officers in Scotland (ACPOS) took forward work to identify the scope for efficiencies that would meet the anticipated financial challenges of reducing budgets, and reported this to the Scottish Policing Board. The Board recognised that the scale of the financial challenge might require more fundamental change, so an ACPOS Taskforce undertook an initial analysis of the potential for further cost savings. It reported to the Scottish Policing Board at its meeting in September 2010.

1.8 Following this September meeting, the Scottish Government set up the Sustainable Policing Project. A Sustainable Policing Sub Group of the Scottish Policing Board was also established.

1.9 The first report of the Sustainable Policing Project was considered by the Scottish Policing Board in December 2010. It was agreed that the work should continue, with a further report to be provided to the next meeting in March 2011.

1.10 This second report of the Sustainable Policing Project sought to identify a sustainable long term model of policing to deliver policing services to a high standard in the most cost-effective way possible. It provided an initial assessment of three structural options for policing in Scotland to deliver a Target Operating Model. This TOM had been developed with professional leads on key policing functions across the police service in order to create a picture of how the Police Service would ideally use its people and resources to deliver its desired outcomes, regardless of structure.

1.11 The purpose of this Outline Business Case is to identify a preferred option for reform of policing in Scotland that will improve services and outcomes, strengthen governance and accountability, and maximise efficiency to protect local policing. It then outlines how we will take forward the necessary management and commercial arrangements for successful delivery.

CHAPTER 2: THE STRATEGIC CASE FOR REFORM

Introduction

2.1 This section considers the current structure and organisational arrangements for policing in Scotland, the case for change, and the key drivers for reform.

2.2 The eight Scottish police forces have made significant contributions to the wellbeing of Scotland's communities since their establishment in 1975. Their continued ability to maintain these positive outcomes is compromised by the unprecedented financial pressures currently placed on Scotland's public services. Although forces have taken measures to reduce expenditure and improve efficiency and effectiveness, there is recognition that these changes will not be sufficient. The fear is that, without wider reform, individual forces may have to take decisions to reduce expenditure in ways that will have a detrimental effect on policing outcomes. This could result in some communities suffering disproportionately, and vulnerable groups continuing to face disproportionate levels of exposure to harm.

2.3 This context lends urgency to looking afresh at a delivery model which can secure continued and sustained delivery of policing to communities across Scotland, thereby safeguarding frontline outcomes. This review presents a unique opportunity to realise further improvements to service delivery, and to secure the efficiencies required to accommodate the financial challenges facing Scotland's public services.

Alignment Of Police Reform with Christie Commission Findings

2.4 In taking forward reform of the police service in Scotland, we will ensure that the options developed are able to deliver on the findings of the Commission on the Future of Public Services. The Christie Commission's report echoed our conviction that reform is not just about fiscal necessity, but the need to improve the quality of public services to meet better the needs of people and communities. Public services must be outcome-focussed, support local integration and partnership, and, in the case of police, improve crime prevention, whilst resulting in improved performance and lower costs. The table at Appendix 2 sets out how reform should align with the Commission's emphasis on localism; building services around people and communities; better integration between partner organisations; prioritising prevention and tackling inequalities; and improving accountability and transparency.

Outcomes and Objectives for Scottish Policing

2.5 The Scottish Government's Purpose puts sustainable economic growth at the heart of the role of the public sector. By protecting people and businesses from threats to their economic wellbeing and supporting a stable society, the police service has a key role to play in helping to achieve that purpose.

2.6 The Scottish Government Purpose is underpinned by five strategic objectives – to make Scotland wealthier and fairer, smarter, healthier, safer and stronger, and greener. The police make a contribution to all of these objectives, most particularly by helping local communities to become safer and stronger places to live that offer improved opportunities and a better quality of life.

2.7 The strategic objectives are supported by 15 National Outcomes. The police, separately and with other public services, the wider justice system and other UK and international agencies, make a direct and significant contribution to National Outcomes 9 – *We live our lives safe from crime, disorder and danger* – and 15 – *Our public services are high quality, continually improving, efficient and responsive to local people's needs*. They also play a broader role in achieving National Outcomes 8 - *We have improved the life chances for children, young people and families at risk*; 11 - *We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others*; and 1 - *We live in a Scotland that is the most attractive place for doing business in Europe*.

2.8 The police's involvement in community planning, and the development and delivery of Single Outcome Agreements for each local authority area, is the main mechanism for achieving this. As we move forward, the creation of a world-class, public-focussed police force should help to protect frontline services in the face of reduced budgets. Reform provides an opportunity to redesign services to perform even better at a lower cost, and to give all communities better access to policing resources and expertise, and strengthened resilience to threats and hazards such as terrorism and crime.

Strategic Context

Structure of policing in Scotland

2.9 The current organisational structure of eight police forces in Scotland dates back to 1975 when local government was regionalised. At that time, 20 police forces, each with their own Chief Constable, were merged to form eight, as illustrated in Table 2.1.

Table 2.1 Current and previous police force structures

Current Structure	Pre-1975 - Forces
Northern	Ross and Sutherland Inverness Northern
Grampian	Aberdeen City Scottish North-Eastern Counties
Tayside	Perth and Kinross Angus Dundee City
Central Scotland	Stirling and Clackmannan
Lothian and Borders	Edinburgh City Berwick, Roxburgh and Selkirk Lothian and Peebles
Strathclyde	Glasgow City Argyll Renfrew and Bute Lanark Dumbarton Ayr
Fife	Fife
Dumfries and Galloway	Dumfries and Galloway

2.10 As shown in Table 2.2, the current eight forces vary substantially in terms of the population each serves (from 148,190 to 2,221,830), the area covered (from 512 to 12,041 square miles), and the resources available (from approximately 508 to 8,417 officers). The crimes reported vary from almost 7,000 to almost 154,000 per annum. Strathclyde covers over forty per cent of the population of Scotland and consumes almost half of the resource. Central, Northern, and Dumfries & Galloway are among the smallest forces in the UK. There is also considerable variation below force level, where there are 27 police divisions which vary in size from around 120 officers to around 1,380 officers. They are variously commanded by a chief superintendent, a superintendent or, in some cases, a chief inspector.

Table 2.2 Police officers/staff, population and area; by force[1,2,3,4]

Force	Number of police officers	Number of police support staff	Population	Area (sq. miles)
Dumfries & Galloway Constabulary	508	222	148,190	2,481
Central Scotland Police	875	299	293,760	1,020
Lothian & Borders Police	2,915	1,122	949,710	2,493
Fife Constabulary	1,112	441	365,020	512
Strathclyde Police	8,417	2,325	2,221,830	5,261
Northern Constabulary	777	307	290,330	12,041
Grampian Police	1,493	620	550,620	3,373
Tayside Police	1,230	505	402,640	2,906
SPSA and SCDEA	266	1,262		
Total	**17,339**	**7,103**		

2.11 There are 17,339 police officers in Scotland (having risen from 12,376 in 1975), supported by approximately 7,103 police staff. Police officers are employed on common terms and conditions negotiated through the UK Police Negotiating Board (PNB). The Winsor Review of police terms and conditions in England and Wales, initiated by the Home Secretary, is considering future potential negotiating mechanisms, and the implications of this will be carefully considered in Scotland. By contrast, terms and conditions for police staff vary across the forces and the Scottish Police Services Authority (SPSA).

2.12 Since 1975, the only significant structural change to policing has been the creation of the SPSA, an independent body that provides expert policing and support

[1] Officer numbers are as at 30 June 2011. Individual police force figures include police officers on secondment to SPSA and SCDEA.

[2] Support staff numbers as at 30 June 2011. Individual police force figures include support staff on secondment to SPSA and SCDEA. The seconded support staff from forces are not included in the SPSA and SCDEA support staff figure.

[3] Population numbers based on mid-2010 estimates by General Register Office as at 27 April 2011.

[4] Area data from population density numbers based on mid-2010 estimates by General Register Office as at 27 April 2011.

to the country's eight police forces and criminal justice community, and the Scottish Crime and Drug Enforcement Agency (SCDEA), which is part of the SPSA and has a primary role in preventing and detecting serious organised crime in Scotland.

2.13 Although the structure and boundaries of Scotland's eight police forces have remained constant for the last 36 years, there has been significant institutional change elsewhere, most notably with the formation of the Scottish Parliament in 1999. At local government level, Scotland's 8 Regional, 52 District and 3 (unitary) Island Councils were replaced by 32 unitary authorities in 1996/97. As a result, Dumfries and Galloway Constabulary and Fife Constabulary are the only forces which have boundaries and governance arrangements coterminous with a single local authority. The other six forces cover multiple local authority areas, and their governance delivery is through separate Police Joint Boards. In five of these six, membership comes from between two and nine selected elected members from each of the constituent local authorities. In Northern Constabulary, Highland Council has 16 representatives.

2.14 There have also been significant changes in the way in which public services work together in partnership. Since 2003, there has been a duty on local authorities to lead community planning and develop Community Planning Partnerships (CPPs) in their area, and for other public services, including the police, to participate in the process. More recently, CPPs have been tasked with developing and delivering Single Outcome Agreements (SOAs) for each local authority area – setting out the priority outcomes they aim to achieve in the area and their contribution to the Scottish Government's 15 National Outcomes.

2.15 There is a significant opportunity to improve organisational alignment between police and the community planning partners through reform, and to strengthen local scrutiny and engagement and police participation in community planning.

Governance and accountability

2.16 Responsibility for the governance and accountability of policing is currently shared between Scottish Ministers, police authorities and joint boards, and Chief Constables. Some responsibility for particular functions also rests with the Scottish Police Services Authority.

2.17 The formal roles and responsibilities of the Police Authority or Joint Board are to:

- oversee the work of the Chief Constable and hold them to account for the policing of the force area;
- be informed of policing in their area and call for reports from the Chief Constable in relation to particular policing policies in their area;
- appoint the Chief Constable and other senior officers;
- control the budget for the force and so provide the Chief Constable with the resources necessary to police the area efficiently and effectively;
- make arrangements to secure Best Value and report publicly on performance;
- keep themselves informed of the manner in which the Chief Constable deals with complaints about police officers; and

- participate in community planning.

2.18 Since local government reorganisation in 1997, there have been two unitary police authorities (Fife, and Dumfries and Galloway) and six Joint Police Boards (Strathclyde, Lothian and Borders, Tayside, Northern, Grampian and Central). Whilst the unitary authorities are made up of elected members from the respective Council, the Joint Police Boards are made up of elected members from each constituent council. For example, Northern Joint Police Board has 24 members from 4 Councils – Highland (16), Shetland Islands (2), Orkney Islands (2) and Western Isles (4). Strathclyde Police Authority has 34 members from 12 Councils - Glasgow (8), North and South Lanarkshire (4 each), and 2 from each of the remaining 9 local authorities.

2.19 This means that, in many areas, relatively few local elected members have a formal role in policing, and that there is **wide variation in democratic representation**. For example, policing for Dumfries and Galloway's population of 148,190 is overseen by a Council Committee of 10 members, whilst policing for Glasgow's population of 592,820 is overseen by a Joint Board of 34 members, of whom only eight represent Glasgow. There is a need, through reform, to address such disparities in governance, and to enhance democratic representation. Currently, only one in eight Councillors has a direct engagement with policing through Joint Boards and police authorities. There are opportunities to increase significantly the numbers of Councillors involved directly in policing in Scotland.

Performance

2.20 The performance of policing in Scotland is measured using the Scottish Policing Performance Framework (SPPF), first published in 2007. Its aim is to provide publicly a single suite of performance measures for all policing activity in Scotland. It supports managers in the police service to understand and improve performance so that policing can be provided more effectively. It also provides a mechanism for improved accountability at local and national levels and the basis for robust performance management. It is divided into four areas:

- Service response;
- Public reassurance and community safety;
- Criminal justice and tackling crime; and
- Sound governance and efficiency.

2.21 The latest ACPOS SPPF data for 2010/11[5] demonstrates a range of positive results and best practice for policing across all four categories of performance. For example, detection rates for Group 1 crimes (crimes of violence) have increased by 4.6% relative to 2009/10, and levels of service-user satisfaction remain high. National statistics show that recorded crime is at its lowest level since 1976, and is down 23% since 2006-07.

2.22 The SPPF data also highlights differences in performance between forces across the country and room for improvement in some areas. For example, the

[5] ACPOS Police Service in Scotland Performance Report Quarter 4 (April 2010 - March 2011)
Scottish Government SPPF Official Statistics Publication 2009-10

2010/11 data shows that the proportion of emergency calls responded to within force target times varied from 63% to 96% (three forces were unable to provide this information); the proportion of police reports submitted to the Procurator Fiscal within 28 days ranged between 83% to 97%; and those to the Children's Reporter within 14 days from 67% to 90%. In addition, the 2009-10 Scottish Crime and Justice Survey found a range of differences in, for example, measures of public confidence in the police, crime victimisation rates (the household crime victimisation rate ranged from 9% to 21%), and the percentage of personal crimes reported to the police (from 24% to 59%).

Information and Communications Technology (ICT)

2.23 ICT is a crucial part of the supporting infrastructure for policing and a key enabler of business change and improvement. Historically, each of the eight Scottish police forces has been responsible for the provision of its own ICT services. However, since the early 1990s, ACPOS has been committed to developing the potential of common IT systems. ACPOS Business Change Programme Board and Business Change Directorate have responsibility for a national programme of ICT-enabled business change.

2.24 The principal sources of police ICT funding are Scottish Government and force budgets. SPSA has carried out an exercise to identify the principal elements of ICT-related expenditure. A reasonable estimate of total annual ICT spend is around £60 million. This can be broadly broken down into:

- SPSA - £40 million (maintenance of current systems, development, licences and software, payments to telecoms providers);
- Forces – an additional £3 million for local projects; and
- National Projects - £17 million (payments to suppliers and revenue costs of ACPOS project teams).

2.25 The Scottish police ICT landscape across the eight forces, the Scottish Crime and Drugs Enforcement Agency, and SPSA comprises:

- 1396 separate software applications;
- 1681 servers;
- over 15,000 desktops;
- over 21,000 Airwave terminals; and
- contracts with telecommunications service providers to deliver connectivity between all the above.

2.26 The governance of Scottish police ICT from concept, design and acquisition, through management, to disposal is complex. It can be grouped into three areas:

- legacy systems (i.e. those in place before SPSA shared service implementation in 2008);
- future national systems (systems and applications managed and coordinated through the Business Change Programme Board); and
- future local systems (systems and applications approved at force-level and procured through the Non-standard Service Request process (NSSR)).

2.27 Given this complex environment, it is widely recognised that continuing to increase the convergence of systems across the Scottish Police Service will bring significant benefits. Increasing single or shared solutions offers significant potential for procurement and contract efficiencies, greater interoperability and information sharing.

2.28 The National Infrastructure (NI) is the platform for converging Scottish Police Service ICT. Variation remains, with a complex mix: some systems are shared across all forces (e.g. Scottish Intelligence Database, Criminal History System, Centurion); other systems are shared across some forces (e.g. crime management systems); and other systems are different in every force. Major projects are underway to deliver national systems for HR and duty management, and national command and control.

2.29 A recent review of ICT has identified the need to improve coordination of strategic planning for Scottish police ICT across forces and SPSA. The delivery of a national programme of police ICT, whilst still meeting the individual demands of the eight forces, is difficult and complex.

Financial

2.30 The budget for policing in Scotland was around £1.4 billion in 2010-11. This represents the highest ever level of police funding, and an increase of 20% since 2007. However, driven by UK Government cuts, budgets are now reducing. In line with wider public sector constraints, the 2010 Scottish Budget announced an average fall in resource budgets for non-protected areas of 6.4% in 2011/12. In most cases, the reduction for the eight police forces was 2.6% in cash terms. This has required forces to make difficult decisions about how and where to reduce costs.

2.31 The funding arrangements in policing are complex. Funding for police forces comes from the Scottish Government and local authorities. The requirement on local authorities to match central government funding to a formula was removed four years ago. In practice, most local authorities have continued to match central government funding in a ratio of 49% to 51%. However, the specific funding relationship between police boards and their constituent local authorities has received renewed attention in the context of public sector budget reductions. Some local authorities have chosen to provide additional funding for additional police officers to perform specifically identified roles in their area.

2.32 The Scottish Government also provides funding centrally through Police Central Government (PCG) for national policing provision such as training, ICT and forensic services provided by the SPSA, as well as other national resources such as national capacity to tackle serious organised crime, e-crime, complex fraud and terrorism. In addition, the Scottish Government is responsible for meeting the costs of police pensions.

Key Challenges

2.33 ACPOS' most recent Scottish Policing Assessment (SPA) outlines the main challenges facing policing in Scotland over the period 2011-15. These are:

- **Public protection** - child protection, domestic abuse, rape and sexual assault;
- **Terrorism** - international terrorism, the re-emergence of Northern Ireland terrorism and domestic extremism;
- **Serious Organised Crime Groups** - human trafficking, cyber crime, firearms, environmental crime and fraud;
- **Antisocial behaviour** - tackling the spectrum of criminal behaviour that causes ASB;
- **Violence** - tackling gang culture, knife crime and alcohol;
- **Death and injury on the road** - tackling loss of life via road deaths and challenging driver behaviours;
- **Community Policing** - the delivery of local policing and community engagement; and
- **Natural Hazards and Major Events** - increases in extreme weather incidents and policing of major events such as Glasgow Commonwealth Games 2014.

2.34 In addition, the Scottish Policing Assessment outlines three key business process priorities across all eight police forces: service reconfiguration; workforce development; and information, science and technology.

The Case for Change

2.35 As already noted, the varying scale of operation across police forces creates challenges through the need to work constantly and consistently across the organisational boundaries of the eight forces, the SPSA and SCDEA. This creates a significant level of complexity in the operation and governance of policing, with substantial effort and resource required to manage it. The following sections outline the key drivers for reform in this context.

Improving local services and the delivery of outcomes

2.36 Reform is required to ensure that local policing in communities is protected, despite budget cuts and other challenges. It has been noted that there are structural disparities between the existing eight forces which impact on local capacity and capability. In addition, access to the specialist policing resource and expertise is needed in communities as and when it is required, and there is a need to ensure the effective delivery of coordinated responses to national threats. Reform is required to fulfil these needs whilst protecting the delivery of local policing by reducing the level of abstraction of local officers to support other events and national commitments.

2.37 Police forces in Scotland do not possess equal capacity in all specialist services or equipment. For example, covert surveillance, specialised investigation, and helicopter, diving and underwater search capabilities are concentrated in a few forces. Where a force lacks the necessary equipment and specialist services, arrangements exist for informally sharing resources across force boundaries. These

arrangements tend to be ad-hoc and depend on the availability of resources in a neighbouring force, and collaboration between forces varies. In addition, if services and equipment are shared, problems can arise if different protocols exist for using the equipment/services. Members of the public may therefore receive a different level of service depending on where they live.

2.38 Reducing budgets for all forces puts at increasing risk forces' ability to maintain these collaborative resourcing arrangements. Reform provides the opportunity to **pool specialist capacity and capabilities across Scotland to make them more easily and efficiently available where and when required**.

2.39 In addition, **the threats and crime that the police service face in 2011 are significantly different and more complex** than those when the eight force structure was created in 1975. Serious organised crime, international terrorism, complex fraud, crime over the internet, and people trafficking all cross force and national boundaries. They require a flexible, coordinated and sophisticated policing response that works effectively across force boundaries.

2.40 The structural and organisational challenge that these cross-border issues pose is recognised. Responses to these challenges have taken a **variety of organisational forms**. Some organisations have been created at a national level, notably the Scottish Police Services Authority (SPSA) and Scottish Crime and Drug Enforcement Agency (SCDEA). National arrangements are co-ordinated by ACPOS, e.g. the Scottish Police Information and Co-ordinating Centre (S-PICC) and the Major Investigation Co-ordination and Development Unit (MICDU). There are similar arrangements for counter terrorism. These responses have variously sought to support and improve a co-ordinated approach to national issues, but involve a complex set of relationships with the eight forces which need to be actively managed. There would be benefit in simplifying these arrangements.

2.41 Many of the issues facing the police today require a multi-agency response and sophisticated partnership working. The police service has contributed locally through Community Planning Partnerships and there is a growing requirement that resources are shared within partnerships to tackle local problems.

2.42 The current landscape of regional police, health board and local authority structures can create difficulties. Most forces have to interact with a number of different local authorities, which each have their own approach and systems and processes. It is also resource-intensive for national organisations, such as the Scottish Ambulance Service (SAS), to deal separately with eight police forces. With reduced resources in the public sector, it is important that partnership works better to ensure that resources are used as efficiently as possible.

Strengthening governance and accountability

2.43 The scale of operation varies considerably across Scottish police forces. The HMICS discussion paper of May 2011[6] contends that there are **weaknesses in police governance and accountability** which have perpetuated since the 1962

[6] See http://www.scotland.gov.uk/Resource/Doc/925/0117807.pdf.

Royal Commission on the police. It argues that the need for a systemic revision of the model of governance and accountability is both essential and timely. For Scottish Government, it highlights:

- concern that the complex competencies required to govern policing fully and enable accountability have never been fully available and that, without detracting from the significant contribution and commitment of locally elected members, democratic influence can only be a part of an effective overall system of governance and accountability;
- concern over the capacity of all members' of police authorities and Joint Boards to fully perform their duties;
- potential conflicts of interest in the roles of local government officers as the 'clerk' and 'treasurer' to police authorities/boards;
- that the current system is ineffectual where national interest is required to supersede the local; and
- evidence suggests that some uncertainty remains about the exercise of police boards' and authorities' powers to hold chief constables to account.

2.44 This echoes many of the findings of the Scottish Parliament Justice Committee's 2008 Inquiry into the Effective Use of Police Resources[7] and the 2009 Independent Review of Policing.[8] The Justice Committee noted that it had received contrasting evidence about the effectiveness of the current system. Amongst other things, it recommended that:

- arrangements should be strengthened to clarify the role and responsibilities of each of the partners and to enhance the capacity of police authorities to independently scrutinise chief constables and police forces;
- the Scottish Government should review the composition of police authorities to assess whether their capacity to scrutinise their respective chief constables and police forces could be bolstered by augmenting their membership; and
- police authorities should ensure they have access to sufficient professional support and analytical capacity in order independently to scrutinise the performance of their police forces.

2.45 The HMICS 2009 Independent Review of Policing concluded that there are **gaps in current accountability arrangements** and that more support was required to ensure effective governance. It noted in particular:

- important decisions on the delivery of police services are not supported by robust information;
- police authorities and boards have very little influence over local policing decisions made through community planning partnerships and their Single Outcome Agreements;
- there is a lack of independent support provided to police boards or authorities to enable them to properly deliver the degree of scrutiny, challenge and accountability required;

[7] See http://www.scottish.parliament.uk/s3/committees/justice/reports-08/jur08-04-01.htm.
[8] See http://www.scotland.gov.uk/Publications/2009/01/23133505/0.

- there is a gap in the current governance arrangements for national policing decisions. Chief constables are, on the one hand, bound by the current legislative framework to give primacy to the decisions of their local police authority or joint board. On the other, through ACPOS, they have a role to promote the common good of policing in Scotland. This gives rise to a potential conflict of interest between national and local requirements;
- there is no formal requirement on chief constables or police authorities and joint boards to consider the national perspective - the only people who can clearly be held accountable for policing arrangement above force level and for all national policing arrangements are Scottish Ministers; and
- decisions made by ACPOS which affect local, regional and national policing do not fall within the normal public sector governance arrangements and there is little public scrutiny of these decisions.

2.46 The Best Value Audits and Inspections of Boards and Forces by Audit Scotland and HMICS that have been completed to date identify effective governance and good practice. They also highlight areas across different Boards where it is less than effective. Areas of concern include:

- scrutiny of force activity and ability effectively to hold the chief constable to account, particularly in respect of community planning;
- evidence of inconsistencies in relationships between the board and constituent councils;
- the need to undertake longer-term strategic financial planning; to provide more effective scrutiny to ensure the best use of resources; and to ensure proper reporting to the public; and
- scope to improve force understanding of the costs of specific policing activities to inform difficult decisions about resources.

2.47 There is now the opportunity for reform to address these concerns by ensuring a strengthened system of police governance and accountability, with clear lines of communication and responsibility at local and national levels.

A financially sustainable police service

Financial resources

2.48 Scotland's public spending is facing unprecedented pressure, which is likely to continue for some years to come. After relatively high levels of public spending over the past few years, public expenditure is reducing and it may take until 2025-26 for public spending to return to 2009/10 levels.[9]

2.49 This context sets a long-term and substantial financial challenge for policing in Scotland. As noted, the eight individual forces vary significantly in terms of available resource. ACPOS has recognised that they are not equally well placed to meet the financial challenges.[10] They therefore face the current challenges against a background of variable levels of financial resilience and varying scope for making

[9] Scottish Government, Scotland's Spending Plans and Draft Budget 2011-12.
[10] ACPOS Taskforce report to Scottish Policing Board, September 2010.

savings without affecting frontline outcomes. This will intensify unless resources are shared and deployed more flexibly.

2.50 The current structure of policing in Scotland is financially unsustainable. Whilst the service has already planned efficiencies as a way of dealing with reducing budgets, from 2013-14 these are unlikely to be sufficient. If the current structure is maintained, there is a real risk that individual forces will be forced to take decisions to reduce expenditure in ways that risk disparities emerging in service capacity and capability. This would affect frontline outcomes, resulting in some communities suffering disproportionately, and vulnerable groups continuing to face disproportionate levels of risk in terms of crime victimisation.

2.51 The Scottish Government wishes to see efficiencies and savings delivered in ways that protect policing in local communities. It is not possible to meet this challenge within the current structure and organisation of policing in Scotland. Reform is needed to reduce duplication, rationalise and simplify support functions, standardise business processes, and so deliver savings whilst protecting local and national policing.

2.52 The scope for delivery of efficiencies through collaboration between services and shared services is sometimes highlighted. This is not without risk, and there is not convincing evidence that collaboration and shared services will deliver the long-term efficiencies required. Collaboration brings its own challenges that raise questions about the ability to deliver. These challenges include:

- different contributions from very different sizes of organisation;
- “net donor syndrome” whereby a larger force can give resource disproportionately to the added value it receives back;
- current structures of accountability inevitably leading to forces properly giving priority to their own interests;
- the investment of significant management time and resource to developing, negotiating, delivering and maintaining collaborative agreements;
- such agreements being subject to the will of individual chief officers to maintain their force’s commitment; and
- examples of where collaboration, e.g. MICDU, has led to an overall increase in posts and therefore costs.

Conclusion

2.53 Police forces across Scotland continue to perform strongly, with recorded crime at a 35-year low, the clear up rate for violent crime at a 35-year high and high levels of public satisfaction. Without reform, it may not be possible to maintain these positive outcomes in the face of unprecedented cuts to public finance.

CHAPTER 3: DEVELOPING A TARGET OPERATING MODEL

Introduction

3.1 A Target Operating Model (TOM) has been developed in partnership with professional leads from across the police service to create an optimal picture of how the police service could organise its people, services, processes, applications and information to deliver its desired outcomes. This approach aids evaluation of the short-listed options by helping us to understand in greater detail the structure of each option and its associated operating model, i.e. how an enhanced eight-force, regional or single police service might respond. Its primary purpose is to develop an optimum model for service delivery and facilitate communication with internal and external stakeholders.

3.2 The TOM framework captures the 'as-is' situation and articulates a 'to-be' state, but is not a blueprint for change. It facilitates an informed debate on the costs, benefits and risks associated with each reform option. This chapter defines the current and target operating models for policing in Scotland. Chapter 4 considers the TOM under the three reform options.

3.3 The TOM approach provides a visual representation of an organisation that allows a view across people, processes and technology and articulates how these fit together to deliver outcomes. Applying this approach has a number of advantages in that it:

- provides a clear and diagrammatic representation of current and redesigned operations;
- describes who would do what, where and how;
- sets a top level framework for design and change; and
- provides a clear communication method across an organisation to aid an understanding of where roles fit and contribute towards the future model.

Methodology and Process

3.4 In order to understand in greater detail the structure of each option for reform and their associated operating models, the Target Operating Model approach was applied to the information compiled by professional functional leads as part of the Sustainable Policing Project. This built on the work to develop the initial options appraisal (see paragraph 4.6 below). As this was undertaken by service experts, it reflects a professional view of the best way to deliver the full range of policing functions, irrespective of structure.

3.5 The process of developing new operating models first involved identifying all the principal elements of each policing function, including command, management, deployment, staffing and resourcing, and then allocating them to a national, sub-national (regional), force or local level, in line with the professional leads' assessment of what is required to ensure optimal delivery. The levels were defined as follows:

- **national** – targeting service delivery at a national level (this could involve the national co-ordination of specific functions within a multi-force model);
- sub-national – targeting service delivery across more than one force boundary (as they are currently defined);
- force – targeting service delivery at a force level; and
- local – targeting service delivery in local policing areas.

3.6 The current operating model for the Scottish Police Service is represented in Figure 3.1. This illustrates how policing functions are currently delivered across Scotland and shows a concentration of almost all their constituent elements at force level. It provides the baseline from which to identify and measure the variation and change that could be achieved by application of the Target Operating Model (TOM).

3.7 After creating this picture of how things are currently, new functional operating models were built up and aggregated into an overall TOM that represents the optimal way to deliver key policing functions in Scotland. Figure 3.2 illustrates the TOM - a professional view of the most effective solution for these functions, regardless of structure.

3.8 The TOM was then adapted to achieve best fit with the three short-listed options to evaluate how well each option could deliver the TOM.

Figure 3.1 Current Operating Model

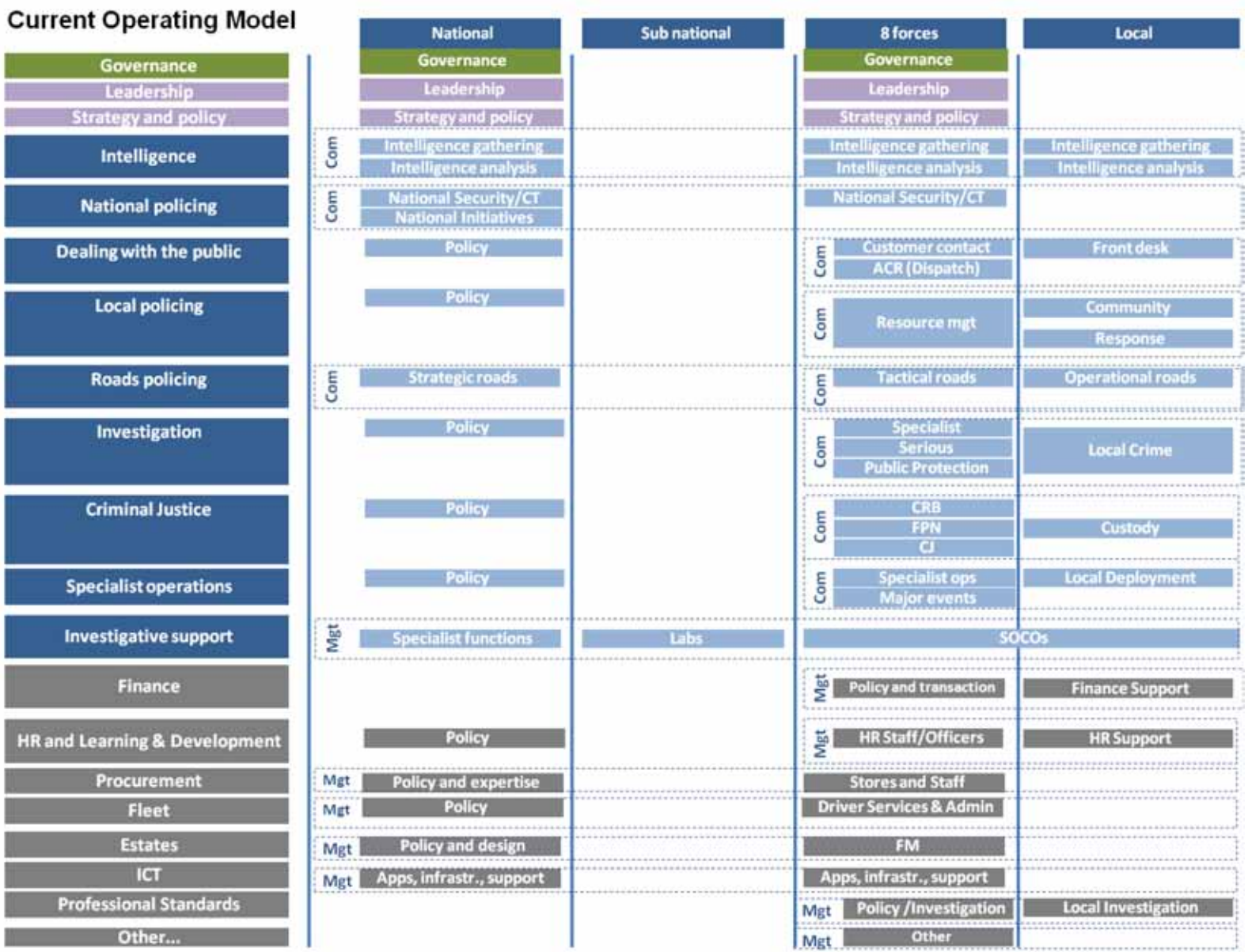
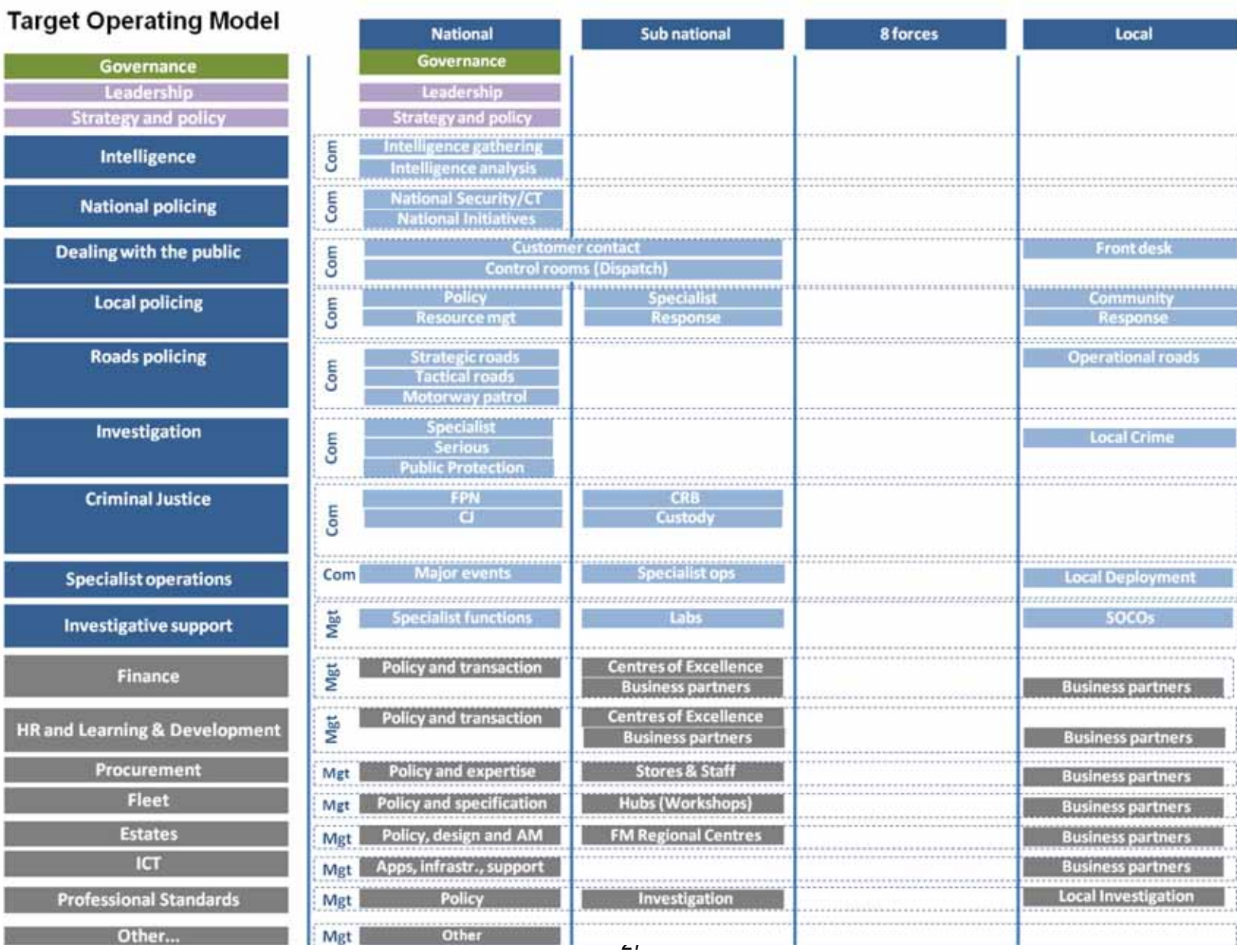


Figure 3.2 Target Operating Model



Key issues relating to the Target Operating Model

3.9 The main themes that emerged from the professional leads' review of policing functions are outlined below and reflected in the variation that exists between the current operating model and the TOM. The most evident difference is that the elements of almost every function move from a force level and are redistributed either to national delivery or to the local level.

Local Policing

3.10 A major theme from stakeholder engagement and consultation is the emphasis on protecting local policing. This is supported and reinforced by the arrangements recommended within the TOM for Local Policing. Here, successful local policing will be dependant upon the delegation of appropriate responsibility, authority and accountability down to the local level to facilitate the provision of support and participation in local partnerships and collaborations such as the Single Outcome Agreements (SOAs). A flexible approach across local policing area boundaries would also help demand management. All three structural reform options are underpinned by this local policing model, with local policing mapped against the 32 current local authority boundaries.

3.11 In the existing arrangements for local policing, there is a broad range in the scale of resources allocated to divisions. At present, the number of officers within a single division ranges from around 123 officers in the smallest to over 1300 officers in the largest. The upper quartile of this range provides for a division of 760 officers. This is roughly equivalent to the single division that operates within Fife Constabulary.

3.12 Using this as a representative size of division, a professional judgement was applied to propose levels of senior management cover required to provide adequate resilience (especially at superintendent level) to address tactical level activity such as firearms incidents and those involving, for example, MAPPA and RIPA/RIPSA. The result is that the TOM assumes for the basis of this analysis a local policing model of 15 divisions and 32 local policing units - the latter aligning with local authority areas.

3.13 Within this model, command for the 32 local policing units would depend on a number of factors such as population and crime/incident levels, and might vary between Inspector and Superintendent. The focus of the TOM is to drive effectiveness and efficiency within the management structure for local policing and to optimise the availability of officers for visible front-line duties.

3.14 Further detailed analysis of relevant data and information factors is required before a definitive position on command arrangements and resource numbers can be stated. However, a rationalisation to a 15-division model is only achievable in the absence of the current constraints created by force boundaries. In a multi-force model, the local policing framework would have to be adjusted accordingly.

National Policing

3.15 The TOM assumes a shift of emphasis from the current force-level leadership to national leadership for a range of operational policing functions. In most cases, national consolidation and leadership is underpinned by an appropriate regional distribution of resource and assets to enable effective local response and some limited retention of capability at the local level.

3.16 Effective delivery of these national functions would be achieved only if national policy, leadership and coordination are put in place. While delivery of these functions could theoretically be achieved through collaborative arrangements, the scope and scale of the functions is very significant and would require complex formal and informal arrangements to ensure equity, effectiveness, appropriate resourcing and long-term sustainability. Such arrangements would require significant collaborative management and leadership, and could provide a distraction from local policing. Based on learning from within Scottish policing and the wider policing sector, it is considered that these national functions can most effectively be established, managed, resourced and sustained through national organisations, rather than through collaborative arrangements.

3.17 On this basis, each of the structural models for police reform assume a single body responsible for the delivery of national operational policing, which would include the current remit of the SCDEA.

National Support Functions

3.18 Looking at the approach to efficiency under the current operating model, support functions within forces were found to be bearing the most immediate and largest degree of rationalisation and downsizing. However, the development of new operating models for support services can be shown to mitigate the effect of this approach. In discussion with service experts, there was broad agreement that in developing options for change, significant benefit could be achieved by exploiting the synergies that exist across the forces to develop a single or shared service approach to the provision of all support functions.

3.19 In line with the TOM, all three structural options developed include consolidated back office support functions. The degree of consolidation varies across the options in line with specific statutory, legislative, regulatory and governance requirements; for example, multiple-force options will require some retention of resource and capability at force level.

3.20 For multi-force options, it is assumed that the full range of back office functions is supplied nationally. In the single service option, there is the potential to rationalise further structure (governance and management) and process (customer – supplier arrangements) through the re-integration of SPSA within the single service. This approach towards full rationalisation and consolidation within each option also ensures that it is the most efficient variant of each option that is evaluated (see chapter 4).

CHAPTER 4: OPTIONS FOR REFORM

Initial options for Appraisal

4.1 In its first report to the Scottish Policing Board, the Sustainable Policing Project described an initial list of 12 reform options. This was then refined into a matrix of options for efficiency which were reflected within five broad structural options, namely:

- a single service model;
- a regional police force model;
- an eight forces model with additional efficiencies;
- a 'blue light' service model; and
- a 32 unit model, based on the existing Local Authority boundaries.

4.2 It was clear from the outset that there was not a viable "do nothing" option and that policing in Scotland would need to undertake some degree of reform. As the options were considered further, it was concluded that a 32-Force structure on a standalone basis was contrary to the interests of efficiency and effectiveness. The 32 local authorities was considered as a basic building block for new structures in developing both the regional and national force models.

4.3 The option to amalgamate the police service with other emergency services in a 'single blue light service', was considered unfeasible, with little support from within the services. On this basis, this option was not included in further analyses.

4.4 In parallel with the public consultation, further analytical work was undertaken on the remaining 'shortlist' of three options for policing in Scotland, namely:

- an enhanced eight forces model;
- a regional model; and
- a single service.

4.5 While the emphasis of the options was structural, it was clear that the success of any option would depend on how the underlying functions of policing operated and were organised. Therefore, it was considered vital to assess thoroughly the functions of policing and to develop new models for delivering these before any in-depth consideration of service form or structure was undertaken. To ensure that the assessment and development of policing functions was clearly focussed on effective delivery, considerable emphasis was placed on the professional judgment of police functional specialists from various areas of the service and on obtaining the best available qualitative and quantitative data and information.

4.6 Professional leads - officers with experience and expertise in the key functions - undertook a detailed review of the key functions of policing (e.g. local policing, roads policing) and considered the options for delivery looking forward. They engaged with colleagues in all forces firstly to capture a detailed picture of the current arrangements for delivering policing, and then to develop and define the best

operating model for future delivery of those functions, irrespective of structure[11]. During this process, it became clear that significant non-financial and financial benefits might be delivered from reforming the way in which policing functions are delivered.

Developing the Options – the OBC

4.7 Having established through developing the target operating model the opportunity for more effective and efficient ways to deliver policing, each of the options presented in this OBC seeks to adjust the provision of policing towards that model. In doing so, they each require significant changes to the way policing is delivered in Scotland.

4.8 The variation between options is due entirely to the structures that would be required to support and enable the Target Operating Model. Some options better enable the TOM than others, as demonstrated below in the assessment of effectiveness for each reform option.

4.9 The assessment of efficiency has been based on costs and efficiencies directly related to the structures; in all other respects it is assumed that all the options are able to achieve the same level of efficiency for each policing function. While there will be variation in each structure's ability to deliver the full efficiency in terms of scale and timing (for instance due to varied complexity within decision-making process) this variation has not been taken into account at this stage - some options will therefore present a higher risk profile than others.

4.10 The baseline for determining efficiency is the 2010/11 budget for policing. In some cases, the nature of the function and the level of information available allowed the team to rebuild a function from the "bottom up", providing relatively high confidence in the assessment of efficiency. In other areas, where complexity, scale and the limitations of data are significant, efficiency was identified by considering the potential impact of established and well-tested levers, for example: management de-layering, process engineering, or shared service economy of scale. Efficiencies were calculated and validated using benchmark data[12]. This approach and level of analysis cannot present an absolutely accurate forecast of the potential efficiency, but provides a credible indication of the scale of efficiency possible within each function.

4.11 For the purpose of this Outline Business Case, the non-financial benefits have been extracted from assessments undertaken by the professional functional leads in the Sustainable Policing Project Phase Two report. These include structural dependencies and the impact of structure on the scale and nature of the benefit. The assessment of non-financial benefits relating to the options is included in the section 'wider impacts on outcomes' in the options appraisal in chapter 5.

[11] This process is described in more detail within the Sustainable Policing Project report presented to the Scottish Policing Board in March 2011 (see http://www.scotland.gov.uk/Topics/Justice/public-safety/Police/ScotPolBoard/Phase2Report).
[12] Benchmark data from other forces (England and Wales) public and private sector (Industry Standard) where appropriate have been used to sense check the proposed scale of efficiency.

4.12 Several assumptions have been made to underpin a consistent approach across the three options, including the command structures required to support and enable each of the options. The following assumptions have been made in modelling the supporting structures:

- each police force will have one chief constable and one deputy chief constable.
- each police force will have a sufficient number of assistant chief constables or police staff equivalent to provide senior command cover for the territorial and functional needs of the service (at a minimum this will require approx 10 ACCs and 4 Directors).
- each policing function will be delivered in a streamlined, linear structure and there will be centralisation of all appropriate key operations consistent with the TOM.
- the emphasis for local policing will be based on appropriate delegation of responsibility, authority and accountability at local authority level.
- local policing delivered through 32 local policing units supported by 15 operational divisions.
- national functions are delivered through national structures and not through collaborative arrangements.
- back office / support functions provided by SPSA (or similar), though an option exists to provide these functions within the single service model.
- SCDEA to be an integral part of any national operational policing organisation.
- strategic relationships established between national organisations, forces and local policing units.
- Public and partnership relationships at Local Authority level or below.

Option 1 – Eight forces model with enhanced national delivery

Structure

4.13 The enhanced eight forces model as described has been aligned as closely as possible to the principles of the TOM. It therefore represents the optimal variant of the eight forces option- the 'best in class'.

4.14 While national functions could be delivered through collaborative or "lead force" arrangements, these would require significant collaborative effort to set up and maintain capability, and formal frameworks to enable effective resourcing, investment, decision making, management and deployment. In addition, such complex arrangements could potentially distract leadership from their day-to-day operational focus on local and community policing. Collaborative arrangements are thus considered to be less effective, efficient, robust and sustainable than national arrangements in the long term.

4.15 Figure 4.1 shows a model of the eight-forces (enhanced) command structure. This structural option includes eight command structures to support local policing. ACPOS (or a similar body) continues to provide national leadership. In addition, a separate national organisation with its own command structure is responsible for delivering operational policing functions that are consolidated on a national basis.

This organisation could include the SCDEA or be an enhanced version of the SCDEA.

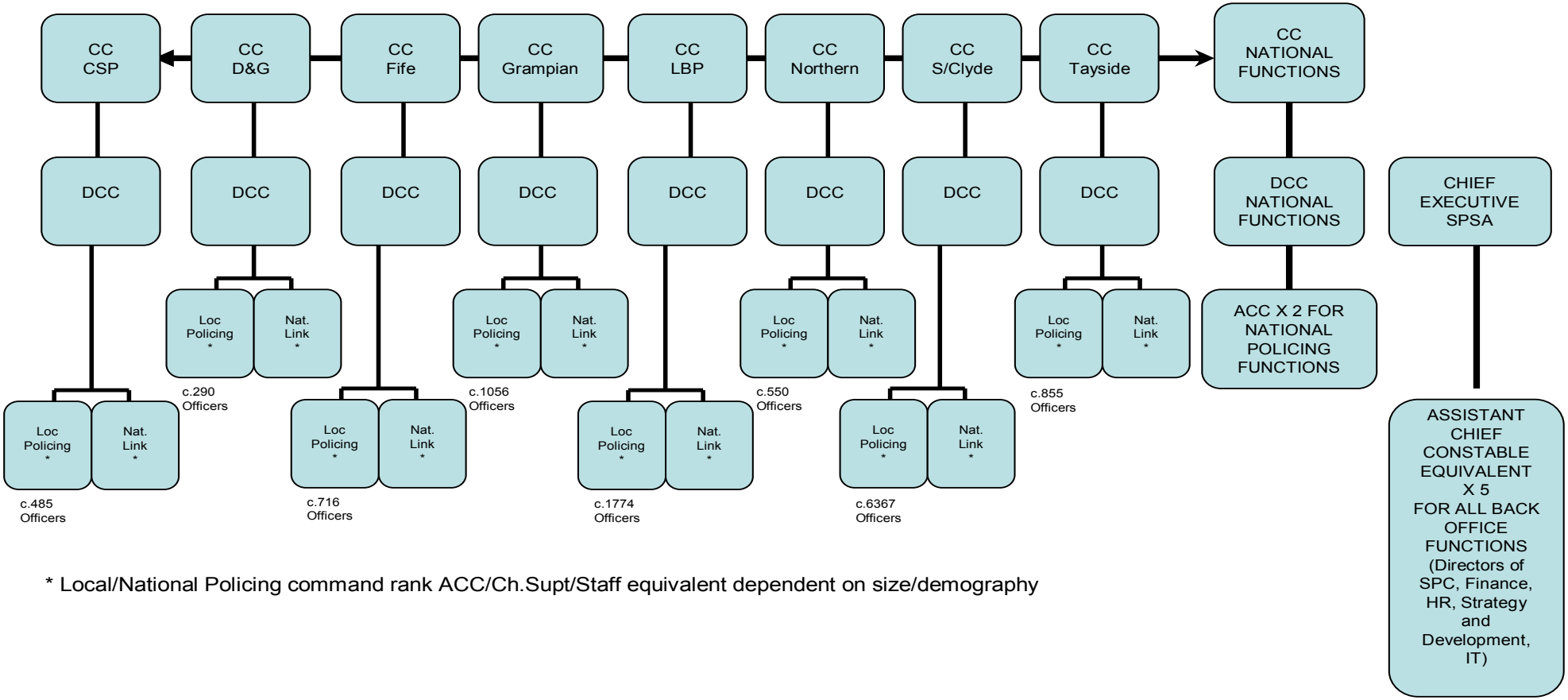
4.16 Although these functions would be delivered by a national provider, there would likely be pressure to introduce regional matching capabilities and interfaces. Within the enhanced eight-forces model, a clear framework is required for the support and utilisation of the national units to provide specialist operational functions. This includes a framework to determine strategy, policy, prioritisation and future investment. The eight forces' headquarters would provide a conduit between local requirements and specialist/national operational functions.

4.17 A further national organisation – such as an enhanced version of SPSA – would be required to deliver the consolidated and rationalised back office support functions for the regional and national operational entities. There would be a need for some force-based back office resource and capability in order to meet the statutory and governance requirements of the separate entities.

4.18 Effectively this option represents an increase in the number of separate legal entities from nine to ten. The increase in structures is reflected in an increase of governance bodies and their supporting activities.

4.19 This is the most complex of the arrangements and involves the highest degree of duplication. The number of cross-force boundaries and Service Level Agreements (SLAs) between forces and the existing SPSA is retained within this option, and there is an additional requirement to manage the interface between the eight forces and national policing. This gives rise to real costs (financial and otherwise) associated with the management of boundaries, relationships and formal arrangements (e.g. the management of Service Level Agreements between the forces and SPSA).

Figure 4.1: Eight forces with enhanced national delivery



* Local/National Policing command rank ACC/Ch.Supt/Staff equivalent dependent on size/demography

Operating Model (eight forces enhanced model)

4.20 Figure 4.1A shows the eight-forces (enhanced) operating model; Table 4.1 summarises its key features. The elements outlined in red within the model reflect a change from the TOM as follows:

Governance, Leadership and Strategy: Although still targeted for delivery at a national level, the structure dictates that an additional layer is required within each force.

Intelligence: Gathering and analysis of intelligence take place at both regional and force level, increasing the reliance on intelligence sharing across a shared technology platform

Dealing with the Public: This is the same change as reflected in the regional model -control rooms are targeted for delivery on a regional basis.

Local Policing: The delivery of specialist and response resources is driven by force level as opposed to regional level.

Roads Policing: Tactical roads policing is targeted for delivery at force level, consisting of force leads.

Investigation: In a multi-force model, each region requires a crime division targeting delivery within each force, in addition to national delivery for serious and organised crime.

Criminal Justice: The Criminal Justice process is targeted for delivery within each region.

4.21 The enhanced Eight forces model requires the highest level of variation from the TOM; through the introduction of leadership for the eight forces and their relationship with national and sub-national entities. Variation is also needed to ensure that appropriate account is taken of the related statutory, regulatory, governance and accountability requirements.

4.22 Local and community policing itself is relatively unaffected in this model. Leadership for local and community policing is provided from within the eight forces' executives, which also provide coordination between local requirements and any national specialist functions. Strategy is developed on a national (ACPOS) basis, and interpreted at force and local levels through the Single Outcome Agreement framework. The critical local relationships and accountability are addressed at Local Authority and at force executive level, with performance monitored and managed on a local, regional and national basis. The eight forces need to respond to any changes within the Local Authority boundaries, including the need to address cross (force) boundary impacts of any change.

Figure 4.1A: Eight forces with enhanced versions of SCDEA and SPSA operating model

Table 4.1 Key features of the eight-forces (enhanced) option

LAYER	FEATURES OF THE ENHANCED EIGHT FORCES OPERATING MODEL
CUSTOMERS AND RELATIONSHIPS	- Relationships with ACPOS, SCDEA, SPSA, other national specialist units and cross force boundaries are managed at force HQ level. - Relationships with national bodies are managed by ACPOS and by forces. - Relationships and accountability at the local authority level (and below) are managed by individuals with local understanding and appropriate delegations, supported by relevant expertise within the force structures. - Response to change in local authority boundaries is within the local policing network and may be impacted at force boundaries.
OUTCOMES	- National priorities and outcomes are interpreted on a regional basis. Agreement is required to limit duplication and manage variation. - Performance is monitored and managed at local, regional and national level. - Agreement to a single performance framework with appropriate benchmarking between forces is required. - A framework is established to manage the interface with national specialist units to best ensure additional effectiveness is achieved.
POLICY AND PROCESS	- Strategy, policy and priorities are set at national level (based on local and national intelligence) but there is likely to be variation at force level. - There is a collaborative programme of migration to common process and process improvement, but some local variation is likely to develop. - Best practice is shared on a collaborative basis through ACPOS. Frameworks agreed to enable integration between local policing, regional management and national policing and to enable cross border collaboration for geographic integration. - There is single source provision for core elements of support services, with some elements remaining at force level to support statutory, regulatory, governance and management requirements.
PEOPLE (INCLUDING GOVERNANCE)	- Current governance arrangements remain, with frameworks developed for emerging national units. - There is little change to deployment within local policing, although decreased abstractions (allocation of police from normal to special duties as required), improved process and resource models provide an opportunity to increase visibility. - Specialist resources are brigaded within national functions, with regional deployment (varied with need) to enable support and response within local policing areas and to optimise the specialist resources and assets. These resources are requested through the force command structures. - Support staff are deployed within a national centre (SPSA) and within the individual force structures.
INFORMATION	- Statutory responsibility sits at force level. However there is a requirement to share information and to support a single national framework for information management with local input and access capability.
TECHNOLOGY	- A collaborative approach is required to agree a single prioritisation framework and a single technology programme, providing operational support and convergence to a national platform, aligned with combined business strategy and need(s). This has been a challenge to date.
ASSETS	- Specialist assets and equipment are optimised on a national basis.
COST OF CHANGE	- There will be a significant cost of change in all options. - Complexity of leadership may introduce duplication and limit the opportunity to drive fully coordinated and optimal solutions.

Option 2 – Regional Force model with enhanced national delivery

Structure

4.23 The regional model described represents the optimal variant of a regional option and adheres closely to the principles of the TOM.

4.24 There has been no attempt to define geographic boundaries for this option, and no clear basis for the delineation has emerged. For the purposes of this analysis, however, the regional option has been assumed to be a three-force structure. Delivery of national functions could be achieved through collaborative or "lead force" arrangements, but these are considered to be less effective, efficient, robust and sustainable in the long term for the reasons referred to above in relation to the enhanced eight forces model.

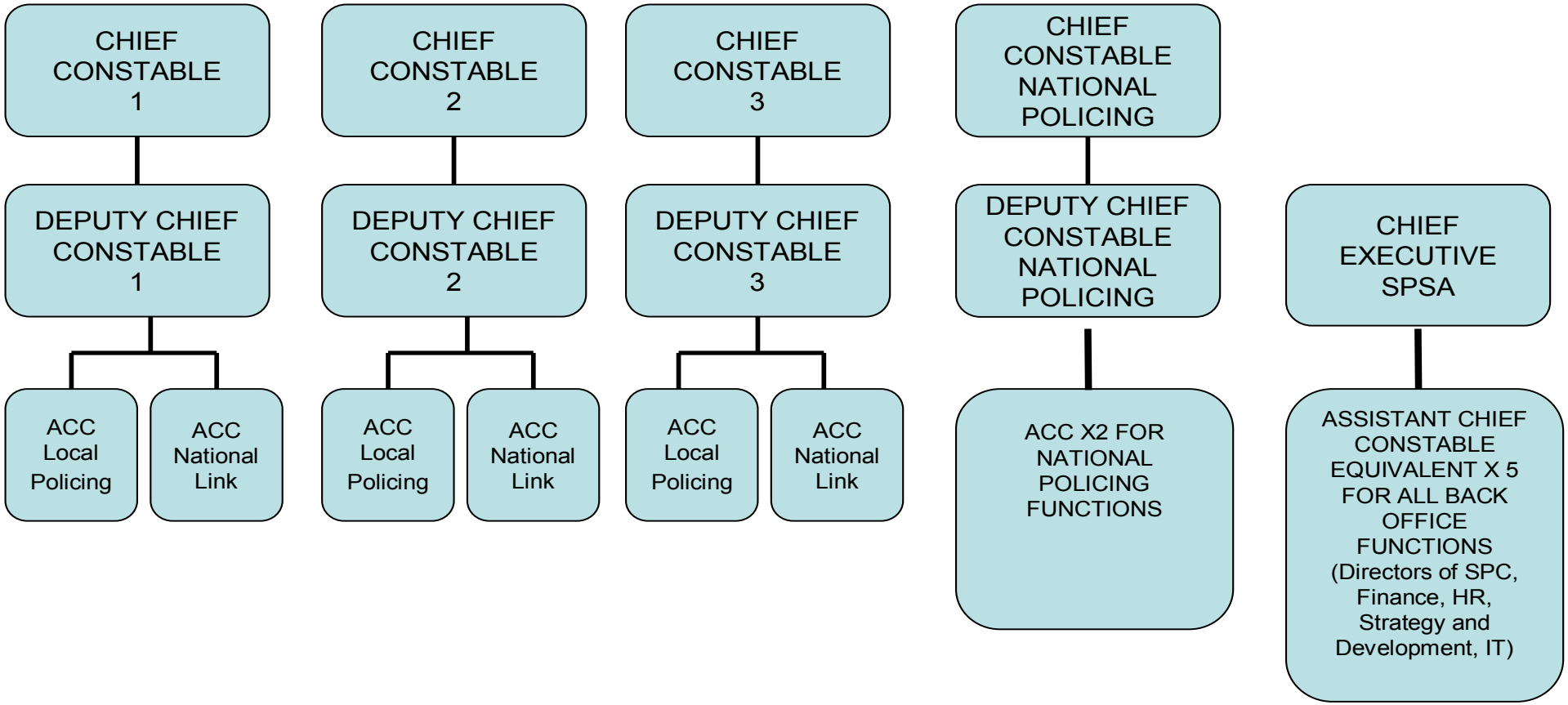
4.25 Within this model, there is a requirement for three command structures to provide leadership for local policing on the basis of a regional aggregation of operational divisions and local policing units. This represents a significant divergence from existing partner structures and boundaries such as Local Authority boundaries, NHS areas, sheriffdoms. However, the critical partnerships and process interfaces remain within the local policing network, with only limited potential for boundary impact (three boundaries as opposed to the existing eight) should Local Authority boundaries change.

4.26 In order to match best the characteristics of the TOM, there is a requirement for a separate national organisation with its own command structure to be responsible for delivering operational policing functions that are consolidated on a national and/or regional basis. This could be delivered, for example, through an enhanced version of the SCDEA. A further national organisation, such as an enhanced version of SPSA, would be required to deliver the consolidated and rationalised back office support functions for the forces and the national operational organisation. There would still be a need for some force-based back office resource and capability in order to meet the statutory and governance requirements of these separate legal entities.

4.27 Within the Regional Model, a clear framework is required for the support and utilisation of the national units to provide specialist operational functions. This includes a framework to set strategy, policy, prioritisation and future investment. The three force headquarters provide a conduit between local requirements and specialist support functions.

4.28 The command structure for the Regional Force model is shown at Figure 4.2. Four new boards or authorities would be created (three regional forces and one national force) with appropriate representation. A governance structure like the SPSA Board and Executive would continue to be required, as would the Scottish Policing Board. The introduction of regional command and some force headquarters functions would provide an additional layer of complexity for managing day-to-day relationships, governance and reporting lines, and the monitoring and management of any formal arrangements (e.g. SLAs).

Figure 4.2: Regional Force Structure



Operating Model (Regional Force model)

4.29 Figure 4.2A shows the Regional Force operating model; its key functions are shown in Table 4.2. Changes are required to the TOM to introduce the force level of leadership and to ensure that appropriate account is taken of the related statutory, regulatory, governance and accountability requirements. The professional leads have consistently maintained that the optimum model for delivering each function could be delivered within a regional force, albeit requiring some changes to delivery and increased complexity of the model between force structures. The elements outlined in red within the model reflect changes from the target operating mode and include:

Governance, Leadership and Strategy: Although still targeted for delivery at a national level, the structure dictates that an additional layer is required within each region.

Intelligence: Gathering and analysis of intelligence takes place at both regional and national level increasing the reliance on intelligence sharing across a shared IT platform.

Dealing with the Public: Control rooms are targeted for delivery on a regional basis.

Roads Policing: Tactical roads policing is targeted for delivery at regional level, consisting of regional leads.

Investigation: In a multi-force model each region requires a crime division targeting delivery within each region, in addition to national delivery for serious and organised crime.

Criminal Justice: The Criminal Justice process is targeted for delivery within each region.

4.30 As with the other models, local and community policing itself is relatively unaffected in this option. Leadership for local and community policing is provided from within the three force executives that also provide coordination between local requirements and any national specialist functions. Strategy is developed on a national (ACPOS) basis and interpreted at force and local levels through the SOA framework. The critical local relationships and accountability are addressed at Local Authority and regional force levels, with performance monitored and managed on a local, regional and national basis.

Figure 4.2A: Regional Force Operating Model

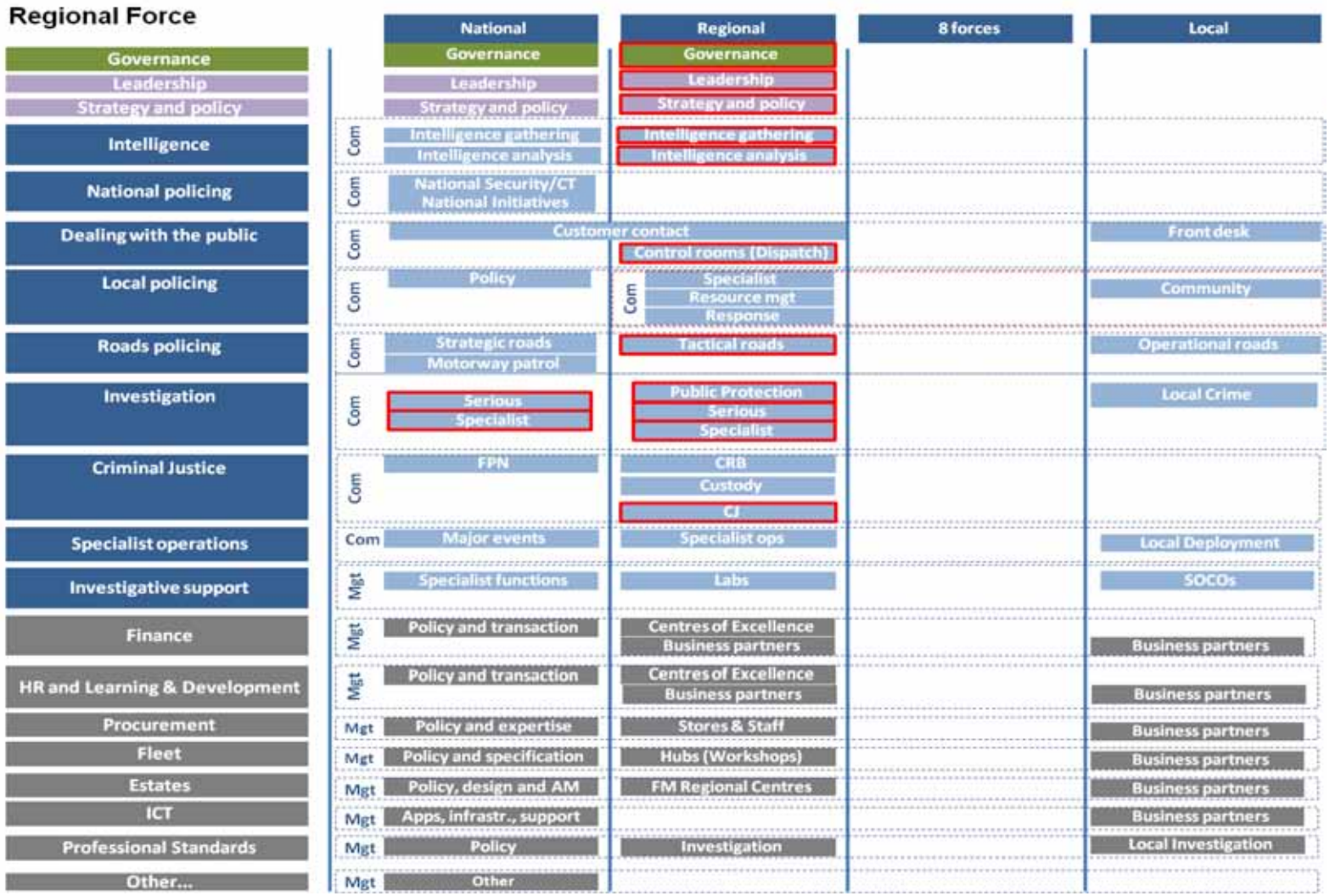


Table 4.2: Key features of the Regional Force option

LAYER	FEATURES OF THE REGIONAL FORCE OPERATING MODEL
CUSTOMERS AND RELATIONSHIPS	- Relationships with ACPOS, SCDEA, SPSA, other national specialist units and cross force boundaries are managed at force headquarter level. - Relationships with national bodies are managed by ACPOS and at force level. - Relationships and accountability at the local authority level (and below) are managed by individuals with local understanding and appropriate delegations, supported by relevant expertise within the force structures. - Response to change in local authority boundaries is within the local policing network and unlikely to be impacted by force structures.
OUTCOMES	- National priorities and outcomes are interpreted on a regional basis. Any regional variation is managed within a national framework. - Performance is monitored and managed at local, regional and national level within a single performance framework, with appropriate benchmarking between forces and elsewhere. - A framework is established to manage the interface with national specialist units to ensure additional effectiveness is achieved.
POLICY AND PROCESS	- Strategy, policy and priorities set at national level (based on local and national intelligence), but there is likely to be variation at force level. - There is a collaborative programme of migration to common process and process improvement, but some local variation is likely to develop. - Best practice is shared on a collaborative basis through ACPOS. - Frameworks are agreed to enable integration between local policing, regional management and national policing and to enable cross border collaboration for geographic integration. - There is single source provision for core elements of support services, with some elements remaining at force level to support statutory, regulatory, governance and management requirements.
PEOPLE (INCLUDING GOVERNANCE)	- Separate governance arrangements for ACPOS, SPSA/SCDEA and the three forces with frameworks developed for emerging national units. - There is little change to deployment within local policing although decreased abstractions, improved process and resource models provide an opportunity to increase visibility. - Specialist resources are brigaded within national functions, with regional deployment (varied with need) to enable support and response within local policing areas and to optimise the specialist resources and assets. These resources are requested through the force command structure. Proactive frameworks are required to ensure management of conflicting demand. - Support staff are deployed within a national centre (SPSA) and within the individual force structures.
INFORMATION	- Statutory responsibility sits at force level. However, there is a requirement to share information and support a single national framework for information management with local input and access capability.
TECHNOLOGY	- A collaborative approach is required to agree a single prioritisation framework and agree a single technology programme, providing operational support and convergence to a national platform, aligned with combined business strategy and need(s).
ASSETS	- Specialist assets and equipment are optimised on a national basis. There is potential for rationalisation of estate within force estates plans.

Option 3 – Single Service model

Structure

4.31 A single service is the least complex of the options, with a single command structure to support operational policing and the re-integration of SPSA. This structure provides an uncomplicated way of implementing all of the professional leads' recommendations for national leadership in specialist areas: it does not require additional structures or mechanisms for optimal service delivery.

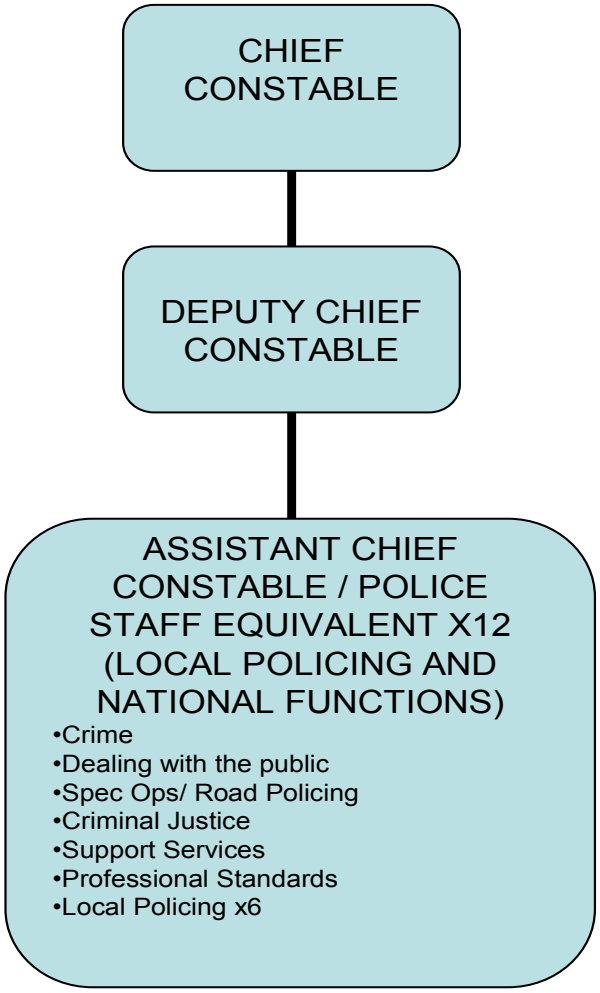
4.32 The command structure for this option is a single Chief Constable; executive responsibility within a wider Chief Officer and Director team (DCC, ACC and equivalent) could be allocated on a regional and/or functional basis. This structure is represented at Figure 4.3.

4.33 This model reduces the number of force command teams and headquarter-specific functions from eight to one. It removes the requirement for the separate executive team and structure supporting SPSA and SCDEA; in this option, both are assumed to be reintegrated within a single service. This rationalisation of structures is reflected in a rationalisation of governance bodies and their supporting activities.

4.34 There are real costs (financial and otherwise) associated with the management of boundaries, relationships and formal arrangements (e.g. the management of Service Level Agreements between the forces and SPSA). However, in the Single Service option, the majority of internal boundaries are removed.

4.35 With fewer points of interface between entities, the Single Service option provides an optimum interface for managing day-to-day relationships, governance and reporting lines, as well as monitoring and managing any formal service arrangements such as SLAs.

Figure 4.3: Single Service Structure



Operating Model (Single Service)

4.36 The Single Service model effectively mirrors the TOM model, with one minor variance as outlined in red within the model at figure 4.3A:

> **Professional Standards Policy**: Within a single force model consideration is required of how an external independent enquiry can be facilitated. The national force would require the ability to appoint independent investigation teams from outwith the force.

4.37 As with the TOM, Local Policing is relatively unaffected in the Single Service model. Leadership is provided from within the force executive with specialist and management support provided based on need, specialism or by region. Strategy is developed through understanding the collective local and national need and can be interpreted at local level through the SOA framework. The critical local relationships and accountability are addressed at Local Authority level, with performance monitored and managed both at this level and on a national basis. The Single Service structure provides a fully integrated solution for all policing functions and for reconciling the competing demands of local, national and specialist policing within a single strategic framework.

Figure 4.3A: Single Service Operating Model

Table 4.3: Key features of the Single Service option

LAYER	FEATURES OF THE SINGLE SERVICE MODEL
CUSTOMERS AND RELATIONSHIPS	- Relationships with national bodies are managed at force level. - Relationships and accountability at the local authority level (and below) are managed by individuals with local understanding and appropriate delegations, supported by relevant expertise within the overarching force structure. - The emphasis on Local Authority (SOA) engagements and removal of existing force boundaries simplify the response to any change in the local authority structure.
OUTCOMES	- National priorities and outcomes have a line of sight to local outcomes and individual objectives as part of a single process. - Performance is monitored and managed at local and national level within a single performance framework with appropriate benchmarking identified. - This model enables integration of the national specialist units that deliver additional effectiveness to support local operations.
POLICY AND PROCESSES	- Duplication is potentially minimised with strategy, policy and priorities set once (based on local and national needs and intelligence) at national level. - There could be a single managed programme of migration to common process and continuous process improvement. - National processes would exist for sharing of best practice across areas of synergistic need. - There is single source provision for support services provided within a simple internal customer-supplier process.
PEOPLE (INCLUDING GOVERNANCE)	- Governance arrangements are rationalised while providing frameworks for good governance and effective management. There is scope to vary segmentation (regional, need, specialism) within the executive and command structures to best support local and national policing. - There is little change to deployment within local policing although decreased abstractions, improved process and resource models provide an opportunity to increase visibility. - Specialist resources are brigaded within national functions with regional deployment (varied with need) to enable support and response within local policing areas and to optimise the specialist resources and assets. - The majority of support staff are brigaded within a single support division with specialists deployed as appropriate on a “business partner” basis to support the local policing network.
INFORMATION	- A single national framework for information management with local input and access capability.
TECHNOLOGY	- A single technology programme, providing operational support and convergence to a national platform, aligned with business strategy and need. - Single internal customer enables effective prioritisation of ICT resource and single process to agree requirement and solution.
ASSETS	- Specialist assets and equipment are optimised on a national basis. - There is potential for rationalisation of estate within a single estates plan.

CHAPTER 5: OPTION APPRAISAL

Introduction

5.1 This section presents the costs and benefits associated with each of the shortlisted options. The aim of the option appraisal is to consider whether the efficiency savings for each option exceed the costs associated with change, to assess any wider impacts on outcomes, and to identify which option offers the greatest net benefit.

5.2 The three options considered all represent significant transformation. While they are described in structural terms, the reform proposed within each option extends beyond structure, with the majority of benefits delivered through the reform of the functions of policing. The appraisal highlights the significant efficiency and operational benefits associated with all three options, and draws out the key differences between the options.

5.3 The assessment provides the economic appraisal in accordance with Treasury Green Book guidance. Quantifiable costs and benefits are assessed first, followed by an assessment of wider impacts on outcomes. Further details have been provided in appendices where appropriate. Financial appraisals have also been prepared for each option in order to better inform the decision-making process. These are presented in chapter 6.

Efficiency Savings

Methodology

5.4 In accordance with HMT guidance, the economic appraisal:

- assesses the options from a UK perspective, considering the net impact of cost and benefit to UK as a whole, rather than to Scottish Government or Scottish policing; and
- does not differentiate between cashable and non-cashable efficiency.

5.5 On this basis, there are a number of elements of cost and efficiency that are not included within an economic appraisal, but are considered essential within the decision making process. These relate to:

a) redundancy costs that are not included within an economic appraisal;
b) VAT costs that are not included within an economic appraisal but, as a payment to the Exchequer, have an impact on overall Scottish Government funding; and
c) the requirement to release cash savings, as well as deliver efficiency, to meet the current economic constraints.

5.6 In order to take these into account, a separate financial assessment has been conducted for each of the options in order to ensure consideration of all relevant factors. This is set out in chapter 6.

5.7 The potential cost savings associated with each option have been identified using the Target Operating Model work described in chapter 3. The three options, as described previously, are:

- Option 1 - an eight forces model with enhanced national delivery;
- Option 2 - a regional force model with enhanced national; and
- Option 3 - a single service model.

5.8 The figures in this option appraisal are provided on the basis of the data, information and analysis featured in the Sustainable Policing Project Phase 2 report. However, given ongoing refinement of both the data and the analyses, some adjustments have been made; these are detailed in Appendix 3.

5.9 The financial year 2010/11 has been used as the baseline for all assessment within the economic and financial appraisals, and is described in detail in the Sustainable Policing Project's Phase 2 Report. Change is already underway, indicating that "doing nothing" is not an option. The "do minimum" option would be represented by the existing collective long-term plans for the individual forces.

5.10 It is important to note that the majority of the efficiencies identified are theoretically achievable irrespective of structure. Nonetheless, some costs and efficiencies will be related directly to the structures. These variations to potential efficiency have been modelled and included within the appraisal, and drive the differences between the three options.

5.11 Within the evaluation of the three options, it is assumed that all national entities (i.e. single force, national policing body, national support body) would be funded through Government Grant, while any regional force (whether eight or three) would be funded in line with existing arrangements.

5.12 The values within this appraisal are expressed in real terms, and all figures are given in £000's. Summary tables are provided within this section, and full tables and details on the assumptions are detailed in Appendix 3.

Variation in efficiency across the three options

5.13 As already noted, the majority of the efficiencies identified are theoretically achievable irrespective of structure. However, some efficiencies are directly related to, or impacted by, the number of forces and supporting structures such as ACPOS; governance bodies and their support; command teams; and some corporate functions.

5.14 The variation in costs and efficiencies that relate to such structure-dependent elements has been modelled for each option. In addition, there are a number of areas where, based on the assessment of the Professional Leads, there will be some level of additional cost that is related to, and will vary across, the structural options. These include:

- residual requirements – for a number of functions, in particular some back office functions, there may be a statutory, governance or management

requirement that precludes full rationalisation of functions and where some form of cost will be retained within individual forces (e.g. the statutory, governance and management requirements of financial planning and reporting); and

- management layers – it is likely that some layers of management will be required purely to support structures, management of external relationships, management across police force boundaries, and relationships with national suppliers.

5.15 For each function, the Professional Leads identified those elements of potential efficiency to which this form of structurally dependent variation might apply. They then assigned a "red", "amber" or "green" (RAG) assessment of ability to deliver that element of efficiency. For this appraisal, the relevant elements of the efficiency have been adjusted on a 33%, 66%, 100% basis relating to the RAG status. It is emphasised that this discounting of efficiency is not applied to the full functional efficiency, but only to those elements where the likely variation has been identified by the Professional Leads.

5.16 Variation, and therefore efficiency potential, has been assessed for each of the options and attributed within the cost categories of:

- officers;
- staff;
- vehicles;
- supplies/equipment;
- estate;
- ICT;
- other (includes Police Board/Authority);
- transfer/outsource; and
- cost avoidance.

Timing of delivery of the efficiencies

5.17 The majority of the efficiency savings are dependent on the transition to the Target Operating Model and the reform of policing functions. The scale and speed of efficiency realisation depends on the approach to prioritisation, availability of investment, management of risk, and business continuity. A relatively small proportion of the efficiency savings are directly related to the timing of implementing structural change.

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5.18 Where professional leads' reports have given timescales for the delivery of efficiency, these have been used; otherwise assumptions have been underpinned by an assessment of the scale and scope of change and by relevant experience. This profile provides a reasonable view of the likely timing of efficiency, but will be adjusted during the detailed design and planning phase, based on more in-depth consideration of interdependencies and operational priorities. Clearly, any delay to a decision to reform the functions of policing or delay to starting the project's design phase will cause a similar delay to the delivery of efficiency.

Optimism Bias

5.19 Optimism bias refers to the known tendency for the costs of projects to be underestimated, particularly in the early stages of developing and costing projects. The adjustment for optimism bias requires explicit, upward adjustments to the costs to counteract this known tendency. A study of a range of UK reorganisations suggests a range of 53 to 135%[13]. As the reform programme progresses, it is anticipated that the level of optimism bias will reduce, reflecting greater certainty associated with the costs of change.

5.20 A degree of rigour (e.g. detailed design of the project architecture and resourcing requirement) and informed assumptions (e.g. redundancy costs based on costs incurred by the forces in the current year and harmonisation costs based on SPSA experience) have underpinned a number of costs included within the profile. Others, such as ICT, are based on less certain assumptions. It is therefore acknowledged that there is likely to be an envelope of error at this stage. However, it would be inappropriate to apply a blanket assumption for optimism bias across all categories of cost.

5.21 For the purposes of this appraisal, a substantial (100%[14]) optimism bias adjustment has been allowed for ICT costs. The Treasury does not provide standard default assumptions for relocation/excess travel costs, training costs and shadow governance costs, so a figure of 53% has been adopted as per the study mentioned above. For programme costs, a modest contingency allowance of 10% has been allowed for. For all other costs, the estimates were considered to be sufficiently prudent/accurate to justify no allowances for optimism bias.

5.22 Similarly, there is likely to be an envelope of error (which could be positive or negative) around each of the assessed efficiencies. In particular, further work is required to establish changes already undertaken within forces and to assess more accurately the benefits through detailed “bottom up” design. The robustness of the option appraisal to changes in assumptions about efficiencies is assessed further in chapter 7.

Estimates of potential efficiency savings

5.23 It is anticipated that the majority of the annual efficiency savings would be delivered within the first five years of the reform programme. They are summarised, by category, in Tables 5.1-5.3:

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[13] See Michael Crichton, Cambridge University, ‘The cost of local government structural reorganisation in GB during the 1990s’

[14] The default assumption recommended by the Treasury is 200%, but this has been reduced on the basis that it would be reasonable to expect much of the risk to be managed within existing ICT budgets.

Table 5.1: Efficiency Savings - Option 1 (Eight forces enhanced)

	0	1	2	3	4
Officers	£17,300	£17,641	£20,047	£31,712	£36,130
Staff	£3,905	£9,551	£24,377	£39,081	£47,055
Vehicles	£0	£0	£176	£512	£702
Supplies/Equipment	£0	£0	£5,369	£14,078	£19,331
Estate	£0	£0	£0	£2,650	£5,300
ICT	£0	£0	£0	£0	£0
Other	£0	£0	£0	£0	£0
Transfer/Outsource	£0	£0	£1,550	£5,608	£7,213
Cost Avoidance	£0	£0	£250	£250	£250
Income Generation	£0	£0	£1,750	£1,750	£1,750
Total	**£21,205**	**£27,192**	**£53,519**	**£95,640**	**£117,731**
Cumulative Total	**£21,205**	**£48,397**	**£101,915**	**£197,556**	**£315,287**

Table in £,000

Table 5.2: Efficiency Savings - Option 2 (Regional force)

	0	1	2	3	4
Officers	£17,300	£17,707	£25,628	£35,984	£40,133
Staff	£4,080	£10,209	£26,299	£45,911	£53,966
Vehicles	£0	£0	£176	£512	£702
Supplies/Equipment	£0	£0	£7,296	£16,215	£21,528
Estate	£0	£0	£0	£2,650	£5,300
ICT	£0	£0	£0	£0	£0
Other	£0	£0	£500	£1,000	£1,000
Transfer/Outsource	£0	£0	£1,550	£5,608	£7,213
Cost Avoidance	£0	£0	£250	£250	£250
Income Generation	£0	£0	£1,750	£1,750	£1,750
Total	**£21,380**	**£27,916**	**£63,449**	**£109,879**	**£131,842**
Cumulative Total	**£21,380**	**£49,296**	**£112,745**	**£222,624**	**£354,466**

Table in £,000

Table 5.3: Efficiency Savings - Option 3 (Single force)

	0	1	2	3	4
Officers	£17,300	£17,775	£23,373	£38,025	£43,990
Staff	£4,260	£10,750	£28,720	£54,579	£66,004
Vehicles	£0	£0	£176	£512	£702
Supplies/Equipment	£0	£0	£9,085	£18,075	£23,403
Estate	£0	£0	£0	£2,650	£5,300
ICT	£0	£0	£0	£0	£0
Other	£0	£0	£1,000	£2,000	£2,000
Transfer/Outsource	£0	£0	£1,550	£5,608	£7,213
Cost Avoidance	£0	£0	£250	£250	£250
Income Generation	£0	£0	£1,750	£1,750	£1,750
Total	**£21,560**	**£28,525**	**£65,904**	**£123,449**	**£150,612**
Cumulative Total	**£21,560**	**£50,085**	**£115,989**	**£239,438**	**£390,050**

Table in £,000

5.24 The timeframe of 5 to 15 years is characterised by recurring efficiency; the cumulative impact for each option within this time-frame is summarised in Table 5.4.

Table 5.4: Cumulative efficiency savings; by period and option

	5 yr	10yr	15yr
Option 1 (Eight forces enhanced)	**315,287**	**918,942**	**1,522,598**
Option 2 (Regional force)	**354,466**	**1,028,675**	**1,708,884**
Option 3 (Single force)	**390,050**	**1,158,109**	**1,926,169**

Table in £,000

5.25 Table 5.4 indicates that there are significant efficiencies to be delivered and that a significant proportion of these could be delivered regardless of the force structure. However, the single force model is at the higher end of the scale of potential efficiency, while the eight forces model is at the lower end of this scale.

5.26 The variation in the efficiencies in Tables 5.1-5.4 relates directly to structures. This is likely to be enhanced, as the liklihood of these efficiencies being delivered is considered far stronger in a single force model: in the multi-force options there is likely to be a degradation in ability to deliver the full potential efficiency - in both scale and timing - due to the existence of individual force priorities and the complexity of decision-making processes and frameworks. This additional factor is not reflected within the tables.

Costs of change

5.27 An estimate of the costs of change has been made based on an assessment of the scope and scale of change required within the functions and organisation of policing. External consultants were used to validate assumptions and assist in the assessment of cost.

5.28 All of the shortlisted options rely on significant change to deliver the scale of efficiency required. The time taken to pay back the required investment will depend strongly on the prioritisation and profiling of change projects alongside business-as-usual activity. The profile of the costs provides a reasonable view of their likely timing, but will be adjusted during the detailed design and planning phase based on a more in-depth consideration of interdependencies and operational priorities.

5.29 The majority of cost is accrued within the first five years of the project, as detailed in Tables 5.5-5.7. As outlined in out in chapter 3, all options require significant transformation.

Table 5.5: Costs - Option 1 (Eight forces - enhanced)

	0	1	2	3	4
Programme/Project	£3,436	£9,415	£8,209	£2,009	£0
Shadow Governance	£0	£468	£0	£0	£0
ICT	£0	£2000	£5,000	£5,000	£0
Training	£0	£0	£8,381	£8,381	£0
Relocation/Excess Travel	£0	£0	£1,172	£555	£555
Other Costs	£0	£0	£0	£3,613	£3,613
Contingency/Optimism Bias	£344	£3,189	£10,884	£9,937	£294
Total	**£3,780**	**£15,072**	**£33,645**	**£29,495**	**£4,463**
Cumulative Total	**£3,780**	**£18,852**	**£52,497**	**£81,993**	**£86,455**

Table in £,000

Table 5.6: Costs - Option 2 (Regional force)

	0	1	2	3	4
Programme/Project	£3,436	£9,615	£8,209	£2,009	£0
Shadow Governance	£0	£2,418	£0	£0	£0
ICT	£0	£2,000	£5,000	£5,000	£0
Training	£0	£0	£8,316	£8,316	£0
Relocation/Excess Travel	£0	£0	£1,157	£548	£548
Other Costs	£0	£0	£0	£3,456	£3,456
Contingency/Optimism Bias	£344	£4,243	£10,842	£9,899	£290
Total	**£3,780**	**£18,275**	**£33,523**	**£29,228**	**£4,294**
Cumulative Total	**£3,780**	**£22,055**	**£55,578**	**£84,806**	**£89,100**

Table in £,000

Table 5.7: Costs - Option 3 (Single force)

	0	1	2	3	4
Programme/Project	£3,436	£9,335	£8,209	£2,009	£0
Shadow Governance	£0	£1,720	£0	£0	£0
ICT	£0	£2,000	£5,000	£5,000	£0
Training	£0	£0	£8,234	£8,234	£0
Relocation/Excess Travel	£0	£0	£1,137	£539	£539
Other Costs	£0	£0	£0	£3,256	£3,256
Contingency/Optimism Bias	£344	£3,845	£10,787	£9,851	£286
Total	**£3,780**	**£16,900**	**£33,367**	**£28,889**	**£4,081**
Cumulative Total	**£3,780**	**£20,679**	**£54,046**	**£82,935**	**£87,016**

Table in £,000

5.30 A comparison of estimated costs over the 5, 10 and 15 year timeframe for each option is given in Table 5.8.

Table 5.8: Estimated total cost comparison; by period and option

	Option 1 (Eight forces - enhanced)			Option 2 (Regional force)			Option 3 (Single force)		
	5 yr	**10yr**	**15yr**	**5 yr**	**10yr**	**15yr**	**5 yr**	**10yr**	**15yr**
Capital costs	£12,000	£12,000	£12,000	£12,000	£12,000	£12,000	£12,000	£12,000	£12,000
Revenue costs	£49,807	£66,422	£82,481	£51,483	£67,391	£82,750	£49,904	£64,915	£79,387
Contingency/ Optimism bias	£24,648	£24,942	£24,942	£25,617	£25,908	£25,908	£25,112	£25,398	£25,398
Total	£86,455	£103,364	£119,423	£89,100	£105,298	£120,658	£87,016	£102,313	£116,785

Table in £,000

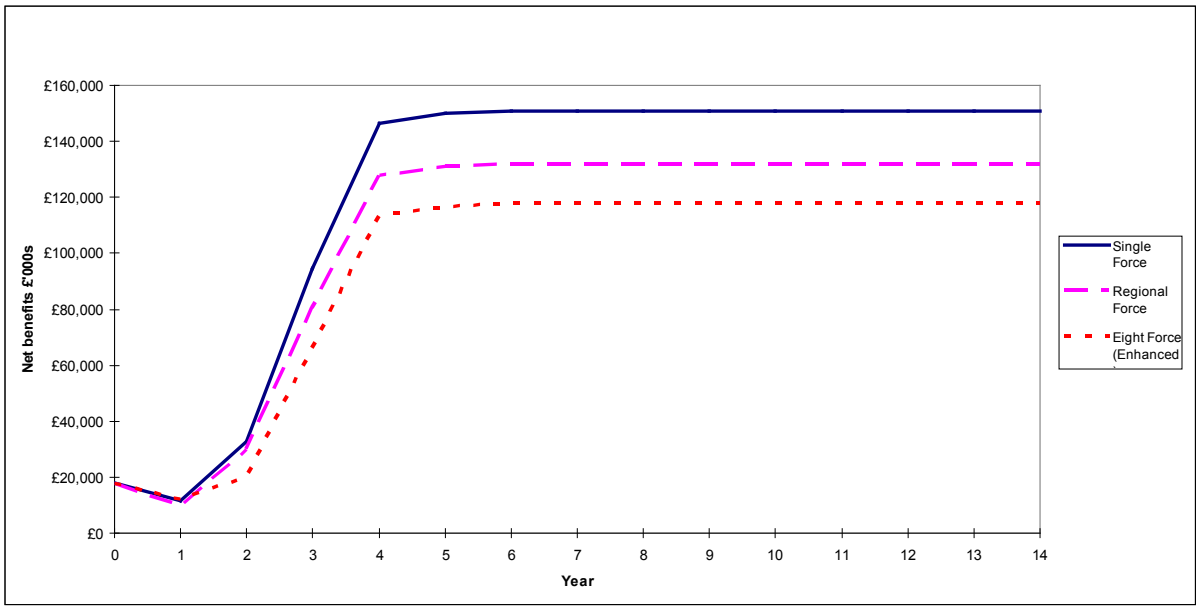
5.31 These figures demonstrate that:

- costs are significant, with relatively little variation across the options;
- revenue costs are highest in the regional option, this is due to the more complex Shadow Governance arrangements; and
- the majority of costs, as profiled, are one-off costs incurred within the first five years; costs incurred beyond the five-year timeframe relate to ongoing pay harmonisation.

Net costs and benefits

5.32 Figure 5.1 below shows that in each year of the appraisal period, estimated efficiency savings would significantly exceed costs for each of the options. Long run net benefits are estimated to amount to £118m per annum for the eight forces (enhanced) option, £132m per annum for the regional force option, and £151m per annum for the single service option.

Figure 5.1: Net benefits per annum



5.33 Net present value (NPV) is the discounted value of future costs and benefits. It illustrates the comparative value of the net benefits of each option in today's money, projected forward in time.

Table 5.9: Net Present Value summary; by period and option

Option	NPV (15 years)
Option 1 - Eight forces (enhanced)	£1,057,051
Option 2 - Regional force	£1,193,032
Option 3 - Single force	£1,363,989

Table in £,000 – Discount rate 3.5% per annum, as per HMT guidance

5.34 Table 5.9 illustrates that over the 15-year appraisal period, each of the reform options would deliver significant net benefits, ranging from £1.1bn to £1.4bn. The single service option performs best in NPV terms.

Wider Impact on Outcomes

5.35 Although potential efficency savings, and hence financial sustainability, are a key driver of reform, it is equally important to assess the reform options against the other key drivers of the Sustainable Policing Project in order to assess whether reform would deliver better policing per se, outwith the financial context. As outlined in chapter 2, these include improving services and delivery of better outcomes, and strengthened governance and accountability, including engagement with local communities.

5.36 The work undertaken so far has identified opportunities to deliver more effective policing which would justify reform in any funding environment. When the team reviewed the key policing functions and options for future delivery, it became clear that there were real opportunities for improving ways of working that would enable the right resources to be deployed at the right time and within all local communities. This can be realised through the central leadership of key specialisms. Such leadership and management reform is not viewed as a migration of resources and capability from local communities, but as enabling improved capability to support delivery of policing within local communities and as a mechanism to allow local policing to maintain absolute focus on local issues and priorities. Further examples that address the overarching strategic outcomes, are contained within Table 5.10 with reference to the single and regional models.

Table 5.10: Comparison of regional and single service models against key strategic considerations

Issue	Regional service	Single service
Protecting local services and outcomes for communities	3 police forces means 5 bodies: 3 regional plus Scottish Police Services Authority (SPSA) and Scottish Crime and Drug Enforcement Agency (SCDEA) for national capacity.	Maximises savings from sharing support services to protect resource for frontline Local policing plans to reflect local priorities, partnerships and SOAs
Keep communities safer with access to specialist support	Specialist capability and capacity split 3 ways Still requires collaboration across boundaries and joint working to tackle national threats Less effective deployment of specialist resources and assets	Specialist resources deployed flexibility across Scotland as required. No internal boundaries National capacity to tackle national threats e.g. terrorism, serious organised crime, with flexible deployment
Strengthen the connection between police and public	Fewer, larger joint boards or mini quangos would provide unnecessary third tier of governance Lessens relationship with locally elected members	Protects visible community services most through local policing plans. Direct relationship with all local authorities and their elected members. Locally accountable officers for each local authority area

5.37 As described in chapter 3, operational policing specialists examined the current delivery of policing functions and then developed and defined an optimum operating model, designated the Target Operating Model, for delivery of these functions. The potential non-financial benefits to the service that they identified were collated from the individual functional assessments, confirmed, and developed by the wider Sustainable Policing Project Team to provide a list of key benefits that might be delivered on a functional and organisational level. At an organisational level, the potential wider non-financial benefits fall within three broad categories, as explained in Table 5.11.

Table 5.11: Non-financial benefit categories

BENEFIT CATEGORY	EXPLANATION
Benefit enables improvement to policing outcomes (outward facing)	• Increase to effectiveness of functions (through changes to resilience, flexibility, capability or capacity) that address a known requirement or outcome of policing; • Enables greater transparency and improvement to public perception of policing; • Has a direct impact on policing outcomes.
Benefit enables improvement to wider public sector outcomes (outward facing)	• Increase to the effectiveness of partnerships where there are clearly identified and recognised benefits and outcomes (including development and management of Single Outcome Agreements); • Improved flexibility to respond to changes within national and local frameworks and structures in order to maintain appropriate relationships and process; • Has a direct or indirect and measurable impact on public sector outcomes.
Improvement to underpinning capability – ability to support ongoing delivery of policing outcomes (inward facing)	• Increased sustainability of delivery solutions – e.g. through reduced organisational complexity and reduced requirement for complex frameworks & arrangements to underpin delivery; • Improved transparency, consistency and ability to monitor and benchmark performance; • More streamlined internal process, interfaces and other inward facing activity to reduce distraction of management and resource from operational policing; • Improvement in the ability of the organisation to respond effectively to external drivers and to deliver continued improvement in support of policing; • Clearer leadership, strategy and policy frameworks to support delivery of policing.

5.38 Examples of the benefits included within these categories include:

- access to appropriately resourced, highly skilled and experienced specialists to support local policing in tackling complex, serious, organised and national security related crime;
- greater interoperability with wider policing and law enforcement partners to deal with national and international crime and its impact on local communities;
- improved and consistent delegation of authority to local policing units aligned with current and future local authority boundaries to enhance partnership working through a clear focus on community policing and planning; and
- common policy, frameworks and reporting across forces, providing greater transparency of cost and performance and enabling the drive of enhanced performance and value.

5.39 Each of the main benefit categories delivers or supports improvements against the key drivers of reform, i.e. improvement of services and delivery of better outcomes. They also support improvements in engagement with local communities through, for example, the strengthening and protection of local service delivery.

5.40 In order to assess their impact under each option, the professional leads undertook an exercise that assigned a weighting to the three main categories of benefit. These were 50% for policing outcomes, 30% for wider public sector

outcomes, and 20% for improving underpinning capability. This reflects a clear emphasis on the delivery of policing outcomes.

5.41 They then assessed the ability of each of the structural options to deliver these non-financial benefits using a scoring framework of 0 to 10. A score of 0 represents the current baseline, 10 represents the maximum benefit envisaged, and intermediate benefits were assessed on a linear basis as shown in Table 5.12.

Table 5.12: Non-financial benefit scoring framework

Score	Guidance
0	Capable of maintaining outcomes / benefits at current levels
1-3	Capable of making a limited improvement to delivery of outcomes/benefit
4-7	Capable of making a moderate improvement to delivery of outcomes/benefit
8-10	Capable of delivering a significant improvement to delivery of outcomes

5.42 The assessment was achieved "bottom up" by reviewing the ability of each function to deliver benefits within the three structural options. Within each benefit category, the scores were averaged and the category weighting applied to derive the overall score for the category. These were then combined to provide an aggregate score for each of the structural options as detailed in Table 5.13.

Table 5.13: Non-financial benefit scores, by option

	Weighting	Eight forces (enhanced)	Regional forces	Single service
Improved policing outcomes - average score		1.9	4	8.4
Improved policing outcomes - weighted	**50**	**95**	**200**	**420**
Improved wider outcomes - average score		1.9	3.9	8.5
Improved wider outcomes - Weighted	**30**	**57**	**117**	**255**
Underpinning organisational ability - average score		1.7	3.5	8.4
Reduced complexity - Weighted	**20**	**34**	**70**	**168**
Total Weighted Score		**186**	**387**	**843**

5.43 The current baseline is not without merit, as this effectively represents the maintenance of existing performance levels and the existing outcomes. However, the score for each of the three reform options represents an improvement against this baseline.

5.44 This assessment of non-financial benefits indicates that all options have the capability to maintain or enhance delivery in all three benefit categories. However, there is significant variance between the scale of potential benefit across the options, with the Single service option having the highest capability to deliver benefits in all categories.

5.45 These benefits flow from areas such as: clarity of leadership and direction, more agile decision-making, enhanced consistency, common standards, flexibility of resourcing and deployment, increased utilisation, improved resilience, greater focus on development and retention of key skills and specialisms, easier information sharing and implementation of best practise. These, in turn, have the potential to lead to reductions in demand, training and abstractions (i.e. the allocation of police from normal to special duties as required).

Non-financial Benefits Summary

5.46 The three options each seek to optimise transformation towards the TOM. However, some are able to adhere to the principles of the TOM more closely than others. This is reflected in the assessment of effectiveness in which the relative total scores of 843, 387 and 186 demonstrate that the Single service option is significantly better able to deliver non-financial benefits. The regional and enhanced eight forces model are necessarily adaptations of the TOM with artificial geographic and functional boundaries, additional leadership and management layers or tiers, individual (and perhaps conflicting) priorities, and more complex decision-making processes.

5.47 This evaluation considers the ability of the options to deliver the non-financial benefits, but does not yet include the profiling of their delivery benefits over time. These benefits will be further defined and accorded appropriate measures as part of the police reform programme's forward management and benefits realisation plan (see chapter 9). This will enable profiling and tracking of the expected benefits throughout the life-time of the programme.

CHAPTER 6: FINANCIAL APPRAISAL

Introduction

6.1 The purpose of the financial appraisal is to highlight the funding requirements of the option for reform. As such, it differentiates between those efficiencies that are cashable and those that are non-cashable.

6.2 As explained in chapter 5, a number of elements of cost and efficiency (e.g. redundancy costs and VAT) are considered relevant to the decision-making process but not included within the economic appraisal. These are considered below.

6.3 Detailed assumptions and notes relating to the cost categories and tables showing detail of the full financial appraisal are provided in Appendix 3. The values within the financial appraisal are expressed in real terms, and all figures are given in £000's.

Benefits

6.4 The approach to the profiled efficiencies contained within the financial appraisal is the same as the approach detailed within the option appraisal, as is the methodology to determine the variation in financial benefit.

Differentiating between cashable and non cashable efficiency

6.5 An important distinction between an economic appraisal and a financial appraisal is the fact that a financial appraisal adopts a more narrow perspective and does not include any non-cashable efficiency savings. The ability to realise efficiencies as cashable will be impacted by:

- policy decisions and commitments relating to police officer numbers;
- policy decisions or commitments relating to redundancies that may be applicable to police staff;
- natural attrition rates for officers and police staff.

6.6 For the purposes of this appraisal, it has been assumed that overall police officer numbers will not be affected by reform. This effectively reduces the scope of cashable savings in this area to changes to terms and conditions, and/or changes in the overall mix of seniority (and therefore cost) of police officers.

Assessment of the financial benefits for the three options

6.7 It is anticipated that the majority of financial benefits are delivered within the first five years of the project. The actual period will depend in practice on a range of decisions on delivery. They are summarised, by category, in Tables 6.1-6.3. As set out in chapter 3, all options require significant transformation.

Table 6.1: Financial Benefits - Option 1 (Eight forces - enhanced)

	0	1	2	3	4
Officers	£17,300	£17,325	£18,508	£20,094	£20,861
Staff	£3,905	£9,551	£24,377	£39,081	£47,055
Vehicles	£0	£0	£176	£512	£702
Supplies/Equipment	£0	£0	£5,369	£14,078	£19,331
Estate	£0	£0	£0	£2,650	£5,300
ICT	£0	£0	£0	£0	£0
Other	£0	£0	£0	£0	£0
Transfer/Outsource	£0	£0	£1,550	£5,608	£7,213
Cost Avoidance	£0	£0	£250	£250	£250
Income Generation	£0	£0	£1,750	£1,750	£1,750
Total	**£21,205**	**£26,876**	**£51,980**	**£84,023**	**£102,462**
Cumulative Total	**£21,205**	**£48,081**	**£100,061**	**£184,084**	**£286,545**

Table in £,000

Table 6.2: Financial Benefits - Option 2 (Regional force)

	0	1	2	3	4
Officers	£17,300	£17,350	£19,248	£21,624	£22,184
Staff	£4,080	£10,209	£26,299	£45,911	£53,966
Vehicles	£0	£0	£176	£512	£702
Supplies/Equipment	£0	£0	£7,296	£16,215	£21,528
Estate	£0	£0	£0	£2,650	£5,300
ICT	£0	£0	£0	£0	£0
Other	£0	£0	£500	£1,000	£1,000
Transfer/Outsource	£0	£0	£1,550	£5,608	£7,213
Cost Avoidance	£0	£0	£250	£250	£250
Income Generation	£0	£0	£1,750	£1,750	£1,750
Total	**£21,380**	**£27,559**	**£57,068**	**£95,520**	**£113,893**
Cumulative Total	**£21,380**	**£48,939**	**£106,008**	**£201,527**	**£315,420**

Table in £,000

Table 6.3: Financial Benefits - Option 3 (Single service)

	0	1	2	3	4
Officers	£17,300	£17,376	£19,851	£22,676	£23,648
Staff	£4,260	£10,750	£28,720	£54,579	£66,004
Vehicles	£0	£0	£176	£512	£702
Supplies/Equipment	£0	£0	£9,085	£18,075	£23,403
Estate	£0	£0	£0	£2,650	£5,300
ICT	£0	£0	£0	£0	£0
Other	£0	£0	£1,000	£2,000	£2,000
Transfer/Outsource	£0	£0	£1,550	£5,608	£7,213
Cost Avoidance	£0	£0	£250	£250	£250
Income Generation	£0	£0	£1,750	£1,750	£1,750
Transfer Payments	£0	£0	£300	£600	£600
Total	**£21,560**	**£28,126**	**£62,682**	**£108,699**	**£130,870**
Cumulative Total	**£21,560**	**£49,686**	**£112,368**	**£221,067**	**£351,937**

Table in £,000

Table in £,000

6.8 The timeframe of 5 to 15 years is characterised by recurring efficiency. The cumulative impact for each option within this time-frame is summarised in Table 6.4:

Table 6.4: Cumulative financial benefits; by period and option

	5 yr £'000	10yr £'000	15yr £'000
Option 1 (Eight forces enhanced)	286,545	798,853	1,311,160
Option 2 (Regional Force)	315,420	884,885	1,454,350
Option 3 (Single Service)	350,437	1,001,785	1,653,134

Table in £,000

6.9 Table 6.4 indicates that there are significant efficiencies to be delivered and that a significant proportion of these could be delivered regardless of the force structure. However, the single force model is at the higher end of the scale of potential efficiency, while the eight forces model is at the lower end of this scale.

6.10 The variation in the efficiencies in Tables 6.1-6.4 relates directly to structures. This is likely to be enhanced as the likelihood of these efficiencies being delivered is considered far stronger in a single force model. In the multi-force options there is likely to be a degradation in ability to deliver the full potential efficiency - in both scale and timing - due to the existence of individual force priorities and the complexity of decision-making processes and frameworks. This additional factor is not reflected within the tables.

Costs

Costs included within the financial appraisal

6.11 Costs in the financial appraisal include both transition costs (those associated with making change happen such as redundancy payments), as well as consequential operating costs (those that arise as a consequence of the change, such as the additional VAT liability).

6.12 There are two significant variances from the costs within the option appraisal; the inclusion of redundancy provisions and of VAT impacts within the financial appraisal. Also, as noted earlier, non-cashable efficiency savings have been excluded.

6.13 Redundancy provisions are made as "one off" costs during the early years of transition. Assumptions underpinning the assessment of redundancy costs are detailed in Appendix 3, resulting in the estimates shown in Table 6.5.

Table 6.5: Redundancy estimates; by option

	0	1	2	3	4
Option 1 (Eight forces enhanced)	£1,317	£4,577	£17,936	£17,756	£11,602
Option 2 (Regional Force)	£1,571	£5,281	£19,773	£24,897	£11,720
Option 3 (Single Service)	£1,834	£5,805	£22,510	£33,987	£16,623

Table in £,000

6.14 Irrecoverable VAT implications are assumed to arise at the time of structural change and will be recurring. Assumptions underpinning the assessment of VAT are detailed in Appendix 3, resulting in the estimates of additional cost shown in Table 6.6.

Table 6.6: VAT-related cost estimates; by option

	0	1	2	3	4
Option 1 (Eight forces enhanced)	£0	£0	£14,122	£14,122	£14,122
Option 2 (Regional Force)	£0	£0	£14,122	£14,122	£14,122
Option 3 (Single Service)	£0	£0	£22,122	£22,122	£22,122

Table in £,000

6.15 The majority of cost is accrued within the first five years of the project. The full costs over the first five years are detailed in Tables 6.7-6.9 below. These include those costs directly associated with driving the reform (transition costs) and those – such as VAT and pay harmonisation – which arise as a consequence of reform.

Table 6.7: Five-year cost estimates - Option 1 (Eight forces enhanced)

	0	1	2	3	4
Programme/Project	3,436	9,415	8,209	2,009	0
Shadow Governance	0	468	0	0	0
Backfill	0	0	0	0	0
Redundancy	1,317	4,577	17,936	17,756	11,602
ICT	0	2,000	5,000	5,000	0
Training	0	0	8,381	8,381	0
Relocation/Excess Travel	0	0	1,172	555	555
Other Costs	0	0	0	3,613	3,613
VAT	0	0	14,122	14,122	14,122
Contingency/Optimism Bias	344	3,189	10,884	9,937	294
Total	**5,096**	**19,649**	**65,703**	**61,373**	**30,187**
Cumulative Total	**5,096**	**24,745**	**90,448**	**151,822**	**182,008**

Table in £,000

Table 6.8: Five-year cost estimates - Option 2 (Regional force)

	0	1	2	3	4
Programme/Project	3,436	9,615	8,209	2,009	0
Shadow Governance	0	2,418	0	0	0
Backfill	0	0	0	0	0
Redundancy	1,571	5,281	19,773	24,897	11,720
ICT	0	2,000	5,000	5,000	0
Training	0	0	8,316	8,316	0
Relocation/Excess Travel	0	0	1,157	548	548
Other Costs	0	0	0	3,456	3,456
VAT	0	0	14,122	14,122	14,122
Contingency/Optimism Bias	344	4,243	10,842	9,899	290
Total	**5,351**	**23,556**	**67,418**	**68,247**	**30,136**
Cumulative Total	**5,351**	**28,907**	**96,325**	**164,572**	**194,709**

Table in £,000

Table 6.9: Five-year cost estimates - Option 3 (Single service)

	0	1	2	3	4
Programme/Project	3,436	9,335	8,209	2,009	0
Shadow Governance	0	1,720	0	0	0
Backfill	0	0	0	0	0
Redundancy	1,834	5,805	22,510	33,987	16,623
ICT	0	2,000	5,000	5,000	0
Training	0	0	8,234	8,234	0
Relocation/Excess Travel	0	0	1,137	539	539
Other Costs	0	0	0	3,256	3,256
VAT	0	0	22,122	22,122	22,122
Contingency/Optimism Bias	344	3,845	10,787	9,851	286
Total	**5,613**	**22,705**	**77,999**	**84,997**	**42,826**
Cumulative Total	**5,613**	**28,318**	**106,317**	**191,314**	**234,140**

Table in £,000

6.16 A significant element of costs within this timeframe relates to the transition programme and redundancy payments. However, all cases have a recurring increase to operating costs due to non recoverable VAT and the ongoing impact of pay harmonisation, (see 'other costs' in tables 6.7-6.9). This introduces a recurring cost of £25m in the single force model, and over £17m in the regional and eight forces models.

6.17 Transition costs are those one-off costs relating to driving the reform of policing. Transition costs include all the costs detailed above, excluding VAT and pay harmonisation. These costs arise as a consequence of the change and are categorised as operating costs. The estimated costs of transition are summarised in Table 6.10 below.

Table 6.10: Estimated one-off transition costs (years 0-4)

	Option 1 (Eight forces - enhanced)	Option 2 (Regional force)	Option 3 (Single service)
Capital costs	£12,000	£12,000	£12,000
Revenue costs	£95,767	£107,814	£124,149
Contingency/Optimism bias	£24,648	£25,617	£25,112
Total	**£132,415**	**£145,431**	**£161,262**

Table in £,000

6.18 These costs are significant in all options, with the estimated transition costs for the eight forces model at the lower end of the range and for the single service option at the higher end of the range. The main variation in transition costs relates to redundancy provision.

Cash Flow

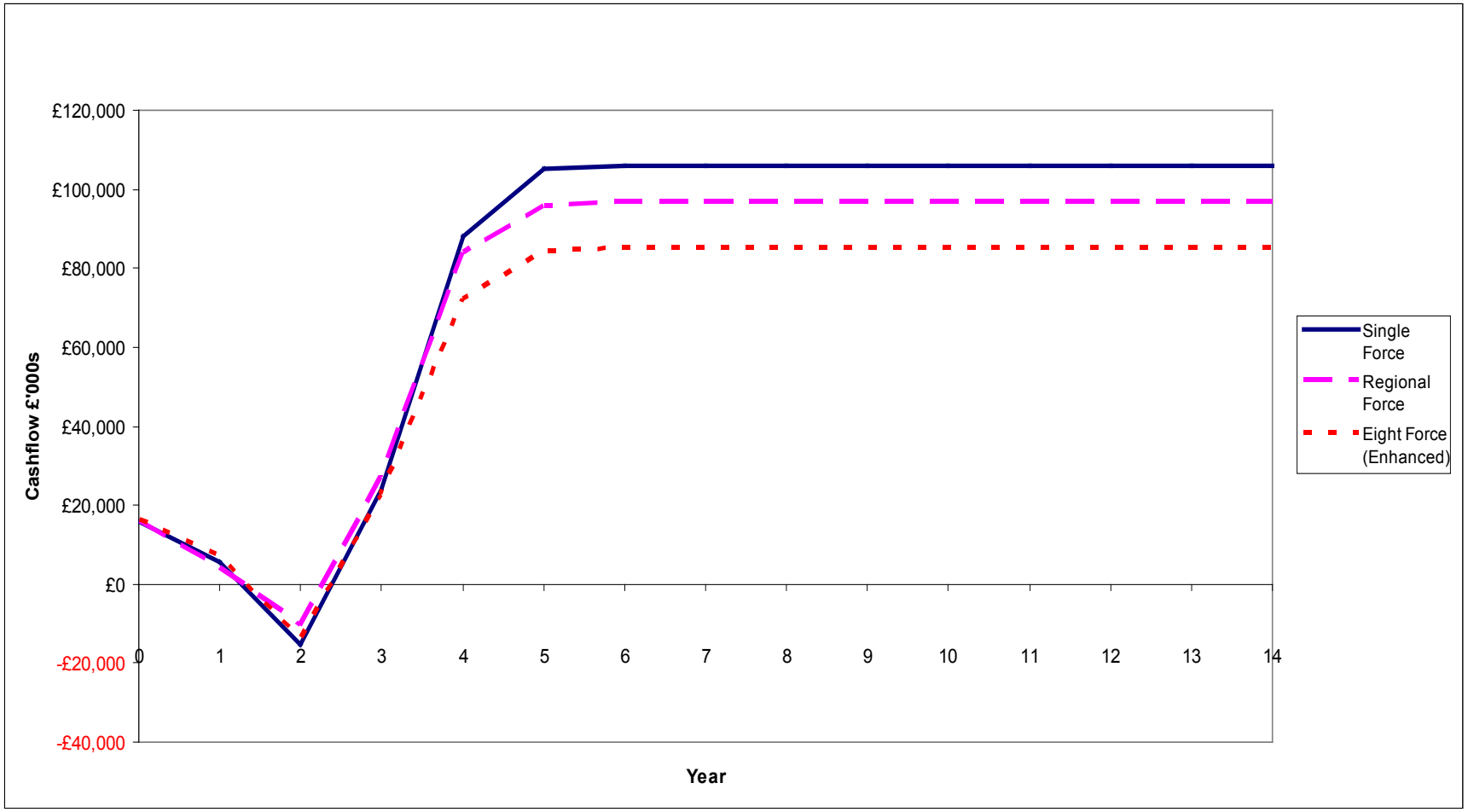
6.19 The financial appraisal cash flow tables, together with a comparison chart for each of the options, are provided below in Table 6.11 and Figure 6.1. They differ from the option appraisal in chapter 5 in that they only deal with cash expenditure (capital and revenue) and cashable benefits. As can be seen from the table, long run net cashable savings are estimated to be around £85m per annum for option 1 (eight forces enhanced), £97m per annum for option 2 (regional force), and £106m per annum for option 3 (single service).

Table 6.11 Cash Flow Summary

	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Eight Force (Enhanced)	£16,109	£7,227	-£13,723	£22,649	£72,275	£84,278	£85,128	£85,128	£85,128	£85,128	£85,128	£85,128	£85,128	£85,128	£85,128
Regional Force	£16,029	£4,003	-£10,350	£27,273	£83,757	£95,861	£96,699	£96,699	£96,699	£96,699	£96,699	£96,699	£96,699	£96,699	£96,699
Single Force	£15,947	£5,421	-£15,317	£23,702	£88,044	£105,029	£105,853	£105,853	£105,853	£105,853	£105,853	£105,853	£105,853	£105,853	£105,853

Table in £,000

Figure 6.1 Cash Flow Summary



6.20 A summary of funding requirements and payback periods for each of the options is provided in Table 6.12 below. Payback is taken from the end of year 0.

Table 6.12 Summary of funding requirements and payback periods; by option

Option	Investment Required*	Payback (Years)**
Option 1 - Eight forces - enhanced	£132,415	4.1
Option 2 - Regional force	£145,431	3.9
Option 3 - Single force	£161,262	3.7

Table in £,000

* one-off costs in years 0-4; excludes consequential operating costs (pay harmonisation and VAT)

** excluding cross-functional savings

Financial appraisal summary

6.21 The financial appraisal indicates that:

- for all three options, savings would substantially outweigh costs within a relatively short timescale;
- the Single Service option generates significantly greater recurring cash benefits after transition, generating nearly £17m per annum more than the Regional Force model, and over £28m per annum more than the Eight forces model;
- the potential cash efficiency within each option is partially offset by a recurring cost of VAT;
- the Single Service option requires the largest investment - £16m over the investment required for the Regional Force model, and £29m over the investment required in the Eight Forces (enhanced) model;
- long run net cashable savings are estimated to be around £85m per annum for Eight Forces (enhanced), £97m per annum for the Regional Force model, and £106m per annum for the Single Service model.

CHAPTER 7: RISK AND SENSITIVITY ANALYSIS

Risk to the delivery of benefits within the option appraisal

7.1 A number of key risks to the delivery of the benefits have been identified. An assessment in terms of impact and probability has been undertaken for each of the options. The Scottish Government risk management framework has been used and a summary assessment of "untreated risk" for each option is given in Table 7.1.

Table 7.1: Key risks to the delivery of benefits; by option

Risk Assessment*

Risk	Option 1 (8 Forces - enhanced)	Option 2 (Regional force)	Option 3 (Single force)
Lack of clear leadership and direction leads to confusion and delays the initiation of the reform process and benefit realisation	15	15	15
Poor communication of change process undermines workforce commitment resulting in sub optimal delivery of service and reduced benefits.	10	15	20
Poor communication of change process attracts adverse media attention and undermines public confidence in policing.	6	9	12
Transformation and Business as Usual leadership are not sufficiently integrated resulting in disruption to service delivery and/or delivery of the transformation.	25	25	15
Governance and leadership arrangements through transition lead to protracted decision making, resulting in sub-optimal delivery of project benefits (efficiency and effectiveness)	25	25	15
Governance and leadership arrangements (following restructure) lead to protracted decision making reducing long term benefits and increasing risk to long term sustainability	20	25	5
Focus on officer numbers (inputs) constrains ability to deliver cashable efficiency	20	20	20
Focus on officer numbers (inputs) leads to behaviours that inhibit the ability to drive or demonstrate real efficiency in delivery	12	12	12
Transfer schemes result in transfer of liabilities for which the organisation(s) are not prepared	9	12	6
Poor management of relationship and negotiations with staff and the Unions lead to an increase in baseline pay and terms for staff and/or within redundancy and relocation packages	6	9	6
Insufficient funding available to invest in the necessary reform, resulting in sub optimal delivery of the TOM, reduced effectiveness and efficiency	10	10	10
Programme team is not appropriately resourced leading to failure to meet key deadlines or failure to effectively deliver required change and benefits	4	8	8
Lack of consistency and accuracy within the available data provides inadequate baseline for proper quantification and tracking of benefits.	16	16	16

* Score of impact x probability of untreated risk in accordance with SG Risk management Framework

7.2 There are significant risks to the delivery of the benefits of reform within all options, whether in the scale or timing of those benefits, and these need to be managed.

7.3 The assessment of risk indicates that Option 3, the Single force model, presents the lowest risk to delivery of both financial and non-financial benefits. However, a detailed assessment of risk still needs to be undertaken. To date, there has not been a risk-based adjustment to the benefits stated within this case.

Sensitivity Analysis

7.4 Optimism bias has been explicitly allowed for within the costings. However, as noted earlier, it is also prudent to test for the impact of varying assumptions about

efficiency savings. The potential impact of optimism bias in the estimates is shown in the NPV calculations in Table 7.2:

Table 7.2 Impact of reduced efficiency savings on NPVs

Variation	Efficiencies down 10%	Efficiencies down 20%	Efficiencies down 30%
Option 1 – Eight Force (Enhanced)	£951,480	£863,503	£789,062
Option 2 - Regional Force	£1,074,956	£976,559	£893,301
Option 3 - Single Force	£1,230,668	£1,119,567	£1,025,559

7.5 According to these calculations, the estimated 15-year NPVs of the Single, Regional, and Eight forces (enhanced) options could be reduced by £338m, £300m, and £268m respectively if the worst-case scenario of efficiencies being down by 30% was realised.

7.6 The following points should also be noted:

- The point at which cost increases reduce the NPV to zero is, in each option, calculated at thousands of percent and thus considered a meaningless comparison.
- The calculations in Table 7.2 have been adjusted to recognise the cross-functional per capita savings that are already in place. Therefore, whilst properly included in the benefits in comparison to the baseline, they would not be impacted by a margin of error in the cost or efficiency assessments being tested above.
- The figures in Table 7.2 indicate no significant sensitivity or step-off points in the estimates.

CHAPTER 8: IDENTIFYING THE PREFERRED OPTION

Introduction

8.1 Early in 2011, the Cabinet Secretary set three tests for reform and made it clear that any change should:

- improve services and deliver better outcomes at local and national level;
- secure greater local engagement and accountability; and
- deliver efficiencies while protecting frontline services as far as possible.

8.2 This chapter sets out the comparative analysis of the three options for structural reform, based on the options appraisal above. Its starting point is the discussion in chapters 3 and 4: the development of the Target Operating Model, and its subsequent alignment with the three reform options to develop practical and operable delivery models. It draws on the option appraisal in chapter 5, the financial appraisal in chapter 6, and the risk analysis in chapter 7 to identify a preferred option for the future of policing in Scotland.

Monetary costs and benefits

8.3 Based on the economic and financial appraisals in chapters 5 and 6, Table 8.1 summaries the quantified assessment of the three options.

Table 8.1: Ranking of option on monetary factors

	Option 1: Eight forces enhanced	Option 2: Regional Service	Option 3: Single Service
Net Present Value (15 yrs)	£1,057m	£1,193m	£1,364m
Net efficiencies (yr 5)	£118m p.a.	£132m p.a.	£151m p.a.
Total transition costs (5 yrs)	£132m	£145m	£161m
Affordability (yr 5)	£85m p.a.	£97m p.a.	£106m p.a.
Ranking	**3**	**2**	**1**

8.4 Taking account of our commitment to maintain officer numbers, the option appraisal and financial appraisal indicate that a single service delivers the greatest benefits and efficiencies. They demonstrate that a single police service:

- offers the greatest potential to generate the required efficiency savings: estimated at an annual recurring cash saving of £106 million; and total net present value of £1,364 million over 15 years (compared to net present value of £1,193 million for regional model and £1,057 million for the eight forces enhanced model);
- requires one-off transitional investment of up to £161m (compared with £145m for a regional force model) with the main investment costs being for programme management, voluntary redundancy, ICT convergence; and
- delivers greater quantifiable and qualitative benefits relative to the regional and 8 force enhanced options.

Non-monetary costs and benefits

8.5 The appraisal above indicates that retaining the eight force model with increased collaboration does not satisfy the criteria for reform. It would perpetuate the existing inequalities of provision across Scotland, and would not provide the necessary savings.

8.6 A move to a regional structure with a smaller number of boards would offer some opportunities to protect budgets and deliver better outcomes. It would reduce to some extent the variation in delivery approaches. It would not, however, remove unnecessary duplication and ensure consistency across Scotland, given the autonomy the regional bodies would have in developing their own delivery models. It would therefore deliver fewer efficiencies than single services (around £20 million per year less). It would require the most complex, lengthy and potentially risky transformation programme, requiring transfers from 8 forces to 3, as well as to significantly expand the national SPSA and SCDEA. It would also restrict the ability to move resources and expertise to areas of greatest need and to create and maintain effective national capability.

8.7 The regional option would not provide the direct relationship with local authorities and local communities, or strengthen local accountability. Instead, it would in effect create an extra tier of governance.

8.8 A single service model presents the best opportunity to drive out duplication, ensure consistency, and rationalise existing systems and structures as far as possible. Efficiencies would be realised through economies of scale; expertise, capability and budgets could be pooled at a national level then targeted to local need; existing weaknesses in national accountability would be addressed; and local accountability could be enhanced through greater engagement at the level of each local authority.

8.9 The creation of a single service would also provide the best way to protect and improve local community policing. Stopping the duplication of support services eight times over, and deploying specialist resources flexibly across all of Scotland in line with need, would protect the services people care about most and lead to a safer Scotland. Taking forward this option would, through our proposals to ensure a locally accountable officer for each local authority area, widen democratic engagement by involving significantly more local authority elected members. These members would be formally consulted on local plans and hold the identified local Senior Officer to account for performance against these plans. In addition, having a local senior officer who is responsible and accountable for services in their areas, would strengthen the link with local communities. It would align far better with community planning arrangements and promote local service integration and partnership working, whilst retaining the flexibility to allow pan-local authority solutions where desired. By pushing responsibility and accountability for local policing down from regional to local authority level, the single force would deliver more local, more integrated, and more democratically and transparently accountable services.

8.10 As outlined in chapter 7, the assessment of risk indicates that Option 3, the single service model, presents the lowest risk to delivery of financial and non-financial benefits. Option 2, the regional force model, presents the highest risk to delivery of these benefits.

8.11 In conclusion, the option appraisal demonstrates that a single service would provide:

- the least complex and most efficient option;
- the best opportunity to reinvest to improve local policing outcomes;
- the highest potential for long-term financial sustainability; and
- the best opportunity to co-ordinate change, optimise benefit and minimise risk.

Preferred option

8.12 In summary, the option appraisal indicates that the Option 3, the single service model, delivers greatest efficiency savings and non-financial benefits relative to the regional and eight forces options and is therefore best positioned to deliver an improvement in the effective delivery of policing in Scotland.

8.13 Based on this evidence a single service would best meet the government's ambition for reform of policing. Anything short of that would involve a series of compromises and sub-optimal arrangements which would cumulatively undermine the economic and organisational case for reform, and would not make the level of savings in the light of continued budget cuts.

CHAPTER 9: PROGRESSING THE PREFERRED OPTION

Introduction

9.1 Programme management helps organisations achieve their objectives and avoid the problems associated with delivering complex change programmes. This section of the OBC provides an outline of the issues to be considered to ensure successful delivery of the programme in accordance with best practice. It also outlines briefly our intentions to ensure the commercial viability of the programme moving forward.

9.2 Further detail of the governance will be developed to ensure the successful delivery of the programme and to guard against the causes of programme failure.

Programme management arrangements

9.3 The work on police reform has been regularly reported to the Scottish Policing Board (SPB) over 2010-11. In early 2011, the Scottish Government also established a Police Reform Programme Board to oversee its development of options appraisal work, the public consultation, this Outline Business Case, and further policy consideration.

9.4 The Programme Board has met on a bi-monthly basis to review the progress of workstreams, to manage risk, and to oversee the development of programme management governance.

9.5 Transition planning work is now underway in collaboration with the Scottish Police Service. Whilst this work is still ongoing, there are a number of elements of the governance structure that can already be identified. These are set out below.

9.6 The Scottish Policing Board is a national forum on key strategic issues for policing in Scotland.

9.7 Within Scottish Government, the Police Reform Programme Board will drive the programme forward and deliver the defined outcomes and benefits. Its Senior Responsible Officer (SRO) will receive reports from the Project Board(s) and may delegate responsibilities and actions to members. The following are considered as standing members of the Programme Board, and some further detail is provided on the principal roles below:

- Programme SRO;
- Programme Manager;
- Business Change Manager(s);
- Project Executives of the projects in the programme;
- representatives of corporate functions (e.g. finance, HR, ICT, risk) as necessary; and
- Lead Supplier.

9.8 **The SRO** provides overall direction and leadership for the delivery and implementation of the programme, has personal accountability for the success of the

programme, and is responsible for enabling the organisation to exploit the new environment resulting from the programme and realise the expected benefits. The SRO reports to, and is a member of, the Sponsoring Group.

9.9 **The Programme Manager** is responsible for leading and managing the setting up of the programme (and establishing governance) through to delivery of the agreed outcomes/objectives and realisation of benefits. The Programme Manager has primary responsibility for successful delivery of the new capabilities and establishing governance, and is accountable to the SRO.

9.10 The Business Change Manager(s), working in close partnership with the Programme Manager and accountable to the SRO, is primarily benefits focussed and is responsible, on behalf of business operations and the SRO, for defining the benefits; assessing progress towards realisation; achieving measured improvements; and monitoring performance. The need to define and realise benefits in terms of measured improvements in business means that the Business Change Manager must be 'business-side' (i.e. from the Police Service) in order to provide the bridge between the programme and business operations.

9.11 Since an Office of Government Commerce (OGC) Starting Gate Review in March 2011 to provide early programme assurance, the Reform Co-ordination Unit has been established to improve co-ordination and provide a joint programme office across the Police and Fire Reform Programmes. This unit has five distinct roles. These are to provide support to both Programmes in relation to programme management; a strategic overview of both Police and Fire Reform Programmes; a policy challenge function across both the Police and Fire Reform Programmes; an integrated communications solution across both programmes; and a joint Bill Team to facilitate the legislative change required to support reform.

9.12 Programme structures will be reviewed in preparation for delivery of the organisational change projects and adapted to best meet emerging or changing requirements. The implementation of the preferred option will follow the principles of the OGC's Managing Successful Programmes (MSP®) approach.

Project management arrangements

9.13 All projects will be conducted following the principles of the PRINCE2® approach to project management. Following Ministerial decisions on reform, the programme management arrangements will allow for a detailed design of the projects and activities necessary.

Project and Programme plans

9.14 Project plans, and the overarching programme plan which they will constitute, will be finalised using MSP® good practice guidance following the completion of transition planning work now underway in collaboration with the Scottish Police Service. This will include details of project timescales, costs, outputs and dependencies; risks and assumptions; a schedule showing the programme's tranches; transition plans; and monitoring and control activities.

Outline arrangements for change management

9.15 It would be easy to underestimate the scale of change involved in the move to a new Police Service structure. A significant amount of work is therefore required to deliver change that takes account of the complexities involved in redesigning a service and transferring assets and personnel, whilst managing "business as usual" during the transition.

9.16 One particular approach currently being considered is Portfolio Management. This is a coordinated collection of strategic processes and decisions that together enable the most effective balance of organisational change and business as usual[15]. It ensures that only the 'right' programmes and projects are started and that, where already underway they can be closed if they are not contributing to the organisation's strategic objectives. The right programmes and projects are those that collectively make the greatest contribution to an organisation's strategic objectives.

9.17 Further to completion of the aforementioned transition planning work, an appropriate governance model will be agreed with stakeholders.

Outline arrangements for benefits realisation

9.18 Further refinement is required to define a consistent and coherent set of benefits that can be used to compare delivery options and be measured, tracked and reported through the delivery of the programme and beyond.

9.19 This work is currently in progress, using OGC's MSP® approach, and a Benefits Realisation Management (BRM) strategy is being drafted. The BRM strategy is based on the Scottish Government's Programme and Project Management Centre of Expertise (PPM-CoE) guide to benefits management and realisation and the ACPOS BRM Strategy. This, in turn, was developed from sets of guidance produced by the OGC, Cranfield University, and good practice examples from other government departments and agencies.

9.20 The draft strategy specifies the BRM framework for supporting the achievement of the Police Reform Programme's strategic objectives and priorities. It defines the approach adopted for managing the programme's benefits.

Outline arrangements for risk management

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[15] OGC's Management of Portfolios (MoP) 'formal definition for portfolio management'. See http://www.mop-officialsite.com/home/AboutMoP/About_MoP.aspx

9.21 Risk management will be executed in accordance with the Police and Fire Reform Programmes' Risk Management (RM) Strategy. The RM Strategy describes the specific risk management activities that will be undertaken to support effective risk management within the programme. The Police and Fire Reform Programmes' RM Strategy is based on OGC's 'Managing Successful Programmes' (MSP®) guidance and Scottish Government Finance Directorate's 'Our Approach to Risk Management' guide.

9.22 The RM process consists of four management processes (identify, assess, plan, and implement and monitor), and uses the Scottish Government risk register format.

Gateway review arrangements

9.23 The OGC Gateway Review arrangements, which involves the examination of programmes and projects at key decision points in their lifecycle, will be agreed and planned with the Scottish Government's PPM-CoE.

The Commercial Case

9.24 The purpose of the commercial case in an Outline Business Case, as most frequently used for large scale capital investment, is to outline the envisaged deal structures and key contractual clauses and payment mechanisms. The nature of police service reform is such that the strategic and economic cases take precedence at this stage; it is too early in this type of reform programme to have completed detailed consideration of procurement deals and future commercial contracts. The following outlines the key issues to be taken into account.

Services to be procured

9.25 The delivery of a new structure in policing may require the acquisition of services in programme and project management; design; transition; and operational service delivery. These services may be provided by existing public sector resources or though procurement from commercial specialists. As already noted with reference to the outline arrangements for change management, further work with the police service will be carried out to develop and refine a programme of transition and identify the specific service packages required.

Contractual arrangements

9.26 Under current arrangements, forces and the SPSA, as separate legal entities, have separate assets and liabilities together with the ability to enter into contracts independently. Further work is required to ascertain the details of the existing contractual environment, including consideration of the following:

- assets and liabilities: the use of a statutory transfer scheme would facilitate the transfer of balance sheets from existing legal entities to the new organisation(s). Any such transfer should be subject to the making up of appropriate accounts to the transfer date supported by proper due-diligence and auditing of the balances.

- existing commercial contracts: though individual forces have independent contracts with suppliers, many are with the same supplier and/or procured through framework arrangements. A full review of current contracts will be required in order to determine terms in relation to innovation, assignment, voluntary termination etc.
- the scale of proposed organisations which may result in replacement procurements being subject to EU procurement legislation where existing frameworks are not available.
- personnel would also require to be transferred under TUPE terms.

9.27 Detailed design and transition plans within the transformation programme will seek to ensure that all assets and liabilities are correctly identified and validated and to minimise the risk of any legal challenge by terminated suppliers. Specialist advice will be sought to ensure that implications of change are understood.

Transfer/Outsourcing Potential

9.28 The proposed national approach to many functions within the Target Operating Model creates opportunities to explore possible alternative sourcing models for the delivery of some services.

9.29 Subject to the review of existing commercial contracts described above, it may be appropriate to explore outsourcing opportunities, particularly in support functions. Consideration could be given to areas that:

- have proven outsourcing potential, through existing force experience or the experience of comparable organisations;
- are clearly definable in terms of service specification, existing assets and liabilities; and
- provide clear benefits in terms of capital/revenue savings, service and risk management.

APPENDIX 1: GLOSSARY

Abbreviations

Association of Chief Police Officers in Scotland	ACPOS
Benefits Realisation Management	BRM
Community Planning Partnerships	CPPs
Convention of Scottish Local Authorities	COSLA
Learning & Development	L&D
Major Investigation Co-ordination and Development Unit	MICDU
Managing Successful Programmes	MSP
Multi-Agency Public Protection Arrangements	MAPPA
Memorandum of Understanding	MoU
National Health Service	NHS
Net Present Value	NPV
Office of Government Commerce	OGC
Outline Business Case	OBC
Regulation of Investigatory Powers Act 2000	RIPA
Regulation of Investigatory Powers (Scotland) Act	RIPSA
Scottish Crime and Drug Enforcement Agency	SCDEA
Scottish Government	SG
(Scottish Government) Programme and Project Management Centre of Expertise	PPM-CoE
Senior Responsible Officer	SRO
Single Outcome Agreements	SOA
Scottish Police Information and Co-ordinating Centre	S-PICC
Scottish Policing Performance Framework	SPPF
Scottish Police Services Authority	SPSA
Society of Local Authority Chief Executives	SOLACE
Target Operating Model	TOM

APPENDIX 2: ALIGNMENT OF POLICE REFORM WITH CHRISTIE COMMISSION FINDINGS

As noted in the strategic case for reform (chapter 2), the key theme of the Christie Commission findings is that reform is not just about fiscal necessity. There is a need to improve the quality of public services to better meet the needs of people and communities. Form, i.e. structure, should follow function, and any reform of public services should meet key criteria, i.e. they should be outcomes focussed; support local integration and partnership; and, in the case of police, improve crime prevention. The following table sets out how reform should align with these key criteria.

Key Criteria	Alignment with proposals for police reform
Be shown to support the achievement of positive outcomes for people and communities	Will improve outcomes by protecting local services. New purpose for policing will be outcomes-focussed.
Be affordable and sustainable	Option selected will demonstrate long-term savings potential from reform, especially single services.
Include appropriate arrangements for services to account to the people and communities of Scotland	Strengthened local accountability will be delivered through local outcomes plans and scrutiny by local authority committees.
Ensure that services are built around the needs of people and communities.	Services will be more clearly aligned with community planning structures; new statutory purposes will embed community engagement on design and delivery of services and service integration.
Allow and encourage services to empower front-line staff.	Local officers create stronger local partnerships and links with frontline staff.
Support the local integration of service provision.	Services will be more clearly aligned with community planning structures; new statutory purposes will embed community engagement on design and delivery of services and service integration.
Encourage services to pursue prevention approaches and early intervention to reduce demand and tackle root causes of inequality and negative outcomes by mobilising a wider range of Scotland's talents and assets; improving coherence and collaboration between agencies and sectors; and improving transparency, challenge and accountability to bring a stronger focus on value for money.	New purpose for policing will be outcome-focussed and include prevention action for the first time. The selected reform option will seek to ensure that talents and assets are available throughout Scotland, based on need, not location; services will be more clearly aligned with community planning structures; increased transparency and accountability through local plans and increased engagement by local authority elected members.
Improve transparency over plans.	Local plans will need to be updated and reported on regularly.
Contribute to the simplification and streamlining of the public sector landscape.	The selected reform option should seek to ensure better oversight in terms of national governance, less duplication and greater economies of scale in procurement and commissioning; there should also be simpler structures with less conflict and greater scope for shared services with partners, and a more coherent and consistent strategic plan.
Be consistent with and support the wider reform and improvement of Scotland's public services.	Christie recommendations will feed directly in to this reform.

APPENDIX 3 - NOTES TO THE OPTION APPRAISAL AND FINANCIAL APPRAISAL

Introduction to the notes and assumptions

1. The following notes and assumptions are relevant to both the option appraisal and the financial appraisal of the OBC unless otherwise stated.

2. The options considered within the appraisals each represent significant transformation. The significant element of cost and benefit within all options is accrued within the first five years of the programme and the notes below illustrate the profile of cost and benefits within this time period. The appraisals consider the impact of these changes over the long-term (15 years)

3. Within the options, common funding assumptions have been applied. Funding arrangements are assumed to vary between national entities and regional entities such that all national bodies (single force, national support body, national policing body) would receive direct Government Grant funding while funding for regional forces (three or eight) would be consistent with current arrangements. This has a VAT implication.

Efficiency - Methodology and Assumptions

4. The profiled efficiencies contained within the appraisals are based on the efficiencies identified within the Sustainable Policing Project Phase 2 Report. Further work will be required to refine the scale and profile of efficiencies to be achieved, but it is considered that the Sustainable Policing Project Phase 2 report provides a reasonable indication of potential scale and trend.

Assessing the timing of delivery of the Efficiencies

5. Professional Leads have provided a high level indication of the potential timescales to realise identified benefits ranging from “quick wins” to “several years” to reach the full potential. The scale and speed of realisation of the above efficiencies depends on the programme approach in terms of prioritisation, profile of investment, and management of risk to business continuity. Where professional leads’ reports have given timescales for the delivery of savings these have been used; otherwise the profile has been assessed based on the scale and scope of change required, informed assumptions and experience.

Assessing the scale of efficiency

6. The Phase 2 Report summarised the efficiency potential within the various functions of policing if the Target Operating Model were to be adopted. In some limited cases the nature of the function and level of information available allowed the team to rebuild a function from the “bottom up” and this provided a relatively high confidence in the assessment of efficiency. In other areas, where complexity, scale and the limitations of data were significant factors, efficiency was identified by considering the potential impact of established and well tested levers, for example: management de-layering, process engineering, shared service economy of scale. Efficiencies were estimated based on these levers and validated for reasonableness

using benchmark data[16]. This approach and level of analysis cannot present an absolutely accurate forecast of the potential efficiency, but does provide a credible indication of the scale of efficiency possible within each function.

7. The assessment of the potential efficiency available through implementation of the target operating model was summarised in the Phase 2 Report and is restated in table A1 below.

Efficiency potential within the Target Operating Model

8. On the basis of ongoing refinement to the data and analysis a number of relatively minor adjustments have been made to the cost and efficiencies stated within the Phase 2 report. These include that:

- savings associated with the executive command have been recalculated to reflect the organisation leadership structures described above;
- savings arising from the better utilisation of physical assets have been amended to reflect the annualised savings based on the expected life/replacement cycle of the asset;
- where professional leads reports have indicated a potential impact on elements of the level of savings to be expected under a particular structural model, the following methodology has been applied: Green, 100% of saving; Amber, 66% of saving; Red, 33% of estimated saving;
- where professional leads' reports have given indicative timescales for the delivery of savings these have been used; otherwise savings profiles have been based on professional judgement informed by experience from other change projects where appropriate, pending more detailed design and analysis;
- VAT has been included for goods and services (at a rate of 20% throughout) within the cost benefit analyses on the assumption that none of the national bodies within the options will have the ability under section 33 to allow recovery of the VAT costs incurred. VAT considerations are relevant to the financial appraisal only;
- programme and project costs have been estimated and included; and
- the costs of change, including programme and project costs, have been estimated with support from external professionals experienced in the development and delivery of large scale transformation programmes.

9. The efficiencies shown are the potential efficiencies that could be achieved following implementation of the proposed changes to the policing functions.

[16] Benchmark data from other forces (England and Wales) public and private sector (Industry Standard) where appropriate have been used to sense check the proposed scale of efficiency.

Table A1 – Potential TOM efficiencies

Function	Potential efficiency £000	Potential saving %	Examples of Efficiency Levers Identified for each function
Local Policing	16,500	3%	• Reduced abstractions • Management de-layering • Rationalised span of command • Reduced support staff
Dealing with the Public	18,000	25%	• Rationalisation / streamlining • Economies of scale
Criminal Justice	6,800	10%	• Rationalisation (custody) • Optimisation of existing contracts • Shared processing • Process improvement
Roads Policing	8,200	15%	• Rationalisation (shared service) • Improved asset utilisation • Management de-layering • Consolidation of training and contracts
Specialist Operations	7,100	17%	• Rationalisation (shared service) • Improved asset utilisation • Management de-layering
Crime/Counter-Terrorism	6,200	3%	• Rationalisation • Centralised intelligence function • Management de-layering • Consolidation of resources and assets
Investigative Support	4,000	14%	• Current target efficiency from SPSA Forensics Modernisation Programme
Support Functions	46,900	23%	• Rationalisation (shared service)
Force Exec	5,100	45%	• Rationalisation within Target Operating Model
Police Boards	2,000	80%	• Rationalisation within Target Operating Model
ACPOS	5,300	100%	• Not required for Target Operating Model
Cross-Functional Savings	27,800	n/a	• Reductions to overtime • Agreed changes to Staff shift allowance • Agreed Removal of SPP adjusted for increases to other allowances[17] • Reduction to excess mileage rates • Removal of some bonus schemes
TOTAL	**153,900**		

[17] This has been agreed in Scotland and the savings has been offset by an increase in some other allowances (e.g. on call rates) such that this represents the net impact.

Variation of efficiency within the options

10. The majority of the efficiencies identified are achievable irrespective of structure, although leadership and complexity will have a significant impact on the ability to deliver in terms of both scale and speed.

11. Some efficiencies are directly related to the number of forces and supporting structures. The efficiencies that have clear structural dependency are detailed below:

a) **ACPOS** – it is assumed that there would be a requirement for collective leadership of the police service in any multi force option. However the requirement would not exist within a single service option. The cost attributed by the forces to ACPOS is therefore included in the regional and eight forces options but removed within the Single Service option (current cost £5,316K)

b) **Governance** – The Scottish Policing Board (SPB) is not costed within the baseline. Given that there will be an ongoing requirement for this body, in some form, this has not been included within the assessment of efficiency. At present (excluding the SPB) there are nine governance Boards costed within the baseline. As with current arrangements it is assumed that a Board will be required for each of the separate entities. Where practical, benefits have been assessed through variation and comparison with the current costs. However, some allowance has been made for scale in the single and regional force options (current cost £2,513K).

c) **Command Team** – the cost of command teams for the three options have been assessed "bottom up" based on the structural options outlined above. The efficiency stated is the variance between current cost and the assessed cost (current cost £11,231K).

d) **Corporate Functions** – this includes many of the "executive" functions, such as strategy and planning, press and media etc, where the current structure leads to duplication of effort across the forces. Where practical, benefits have been assessed through variation and comparison to the current costs. However, some allowance has been made for scale in the single and regional force options.

e) **Other** – in the Single Service option only it has been assumed that the annual running costs of the Scottish Government Police Division can be reduced by approximately 1/3 (£600k) following transition.

12. The variation in efficiency within these functions has been modelled and incorporated within the assessed efficiency for each option.

13. There are a number of areas where the structural dependency is less clear, but where the functional leads assessed there to be some level of additional cost that related to the structural options. These includes

a) **Residual Requirement** – for a number of functions, in particular some back office functions, there may be a statutory, governance or management requirement that precludes full rationalisation of functions and where some

form of cost will be retained within individual forces (for example the statutory, governance and management requirements of financial planning and reporting);

b) **Management Layers** – It is likely that there will be layers of management required purely to support structures, management of external relationships, management across police force boundaries and relationships with national suppliers.

14. For each function the Professional Leads identified those elements of the full potential efficiency to which this form of structurally dependent variation might apply and assigned a "red", "amber" or "green" (RAG) assessment of ability to deliver that element of efficiency. For this case the relevant elements of the efficiency have been adjusted on a 33%, 66%, 100% basis relating to the RAG status. It is emphasised that this discounting of efficiency is not applied to the full functional efficiency but only to those elements where the likely variation has been identified by the professional leads

15. Variation has been derived for each of the options and broken down into the relevant categories of cost as detailed within the following paragraphs.

Categories of efficiency

16. The potential efficiencies for each option have been assessed within the categories described below.

17. **Officers** – there are two components to the efficiencies related to the cost of police officers:

a. those efficiencies (rationalisation, process improvement etc.) that reduce the full time equivalent (fte) requirement for police officers. Given the assumption about maintaining officer numbers, this is expressed in terms of greater productivity (opportunity to deliver more with the same resources) rather than a cashable efficiency (fewer officers). This includes reductions that arise through more efficient delivery of functions and reductions that arise through organisational restructure.

b. those efficiencies that arise from a reduction to the per capita costs of police officers. These efficiencies relate to a reduction to required overtime and changes to allowances and terms that have already been agreed.

18. **Staff** – there are two main components to the efficiencies related to the cost of police staff:

a. those efficiencies (rationalisation, process improvement etc) that reduce the full time equivalent requirement for police staff which may result in a cashable efficiency (fewer staff) or greater productivity (opportunity to deliver more with the same resources). This includes reductions through re-structure and reductions through more efficient delivery of functions.

b. Those efficiencies that arise from a reduction to the per capita costs of police staff. These efficiencies relate to a reduction to required overtime and changes to allowances and terms that have already been agreed.

19. **Vehicles** – this relates to the potential reduction in the number and capital cost of vehicles. It does not include the maintenance and management cost related to the Fleet Management Function. Any efficiency within the Fleet Maintenance function is included in Staff and Supply categories.

20. **Supplies / Equipment** – this includes reduction to specific equipment requirements through the rationalisation of functions and to reduction to the cost of supplies achieved through the rationalisation of need and procurement.

21. **Estate** – this relates only to the rationalisation of the management of the estates function, to include areas such as estates management staff, outsourcing of cleaning services and outsourcing of estates maintenance. Significant further work is required, as part of detailed design, to identify any savings that might be achieved through the rationalisation of the physical estate. Alongside any efficiency there is also likely to be a requirement for investment - the current assumption is that this will result in no net financial cost or benefit.

22. **ICT** – Based on advice from the ICT professional lead, a proportion of the initial consolidation and rationalisation can be achieved using existing infrastructure and systems and in some cases common infrastructure already exists.

23. The current Business Change Programme (BCP) and wider ICT projects are likely to be re-prioritised to meet the combined priorities of business as usual and transformation. There is already considerable spend on ICT as well as a provision for consolidation (BCP) within the baseline. Significant further work is required, as part of detailed design, to identify any ICT savings that might be achieved as a consequence of change. At this stage it is assumed that no incremental benefits will arise.

24. **Other** – this includes the savings associated with Police Board/Authority costs.

25. **Transfer / Outsource** – this includes net benefits that arise from opportunities to transfer responsibility for functions to other bodies (such as traffic wardens) or to outsource the provision of services to a 3rd party at a reduced cost.

26. **Cost Avoidance** – this relates to benefits arising from ensuring existing service provision arrangements are enforced, avoiding the need for policing to provide the service.

27. Summaries of the efficiencies for each option are provided in the main report.

Cost - Methodology and Assumptions

28. All of the options rely on significant change to deliver the scale of efficiency that is likely to be required. The scale of change will present a real challenge to policing and there will be a real financial and non-financial cost. The economic and financial appraisals include the financial cost of change.

29. Change, whether co-ordinated or not and irrespective of structure, is happening and will continue to happen given the financial and non-financial challenges ahead. Forces are already driving change to address the 2011/12 budget reductions; change will already be incurring cost within the forces but, to date, there has not been an assessment of the full cost of delivering the range of change already underway.

30. The Phase 2 report included estimated costs of change derived from an external benchmark. A detailed assessment of costs already incurred and future capital and revenue costs to deliver change will be undertaken during the next phase of the project. For the purpose of this case, a revised estimate of the costs of change has been calculated based on more detailed assessment and assumptions validated by external consultants with experience of similar transformation initiatives.

31. All of the options rely on significant change to deliver the scale of efficiency that is likely to be required. Payback time will be highly dependent on the availability of funding, as well as prioritisation and profiling of change projects alongside business as usual activity. In order to profile better the cost of change and financial benefits within the full programme, a further stage of more detailed analysis will be conducted as the programme is developed in more detail.

32. The following paragraphs detail the costs included within the appraisals.

Project Management Costs

33. To enable appropriate governance and leadership of any transition an appropriate programme and project structure will need to be in place. This will be developed further in due course. In the interim, programme and project costs have been estimated assessed based on generic project architecture. The costs forecasts are based on the assumption that:

- the project team is resourced through mixed economy of officers, staff and external interim/consultancy;
- the overall team equates to c.60 fte for 2.5 years from Q4 of 2011/12. A provision has been made for force based resources estimated at 150 staff for 1 day a week (equivalent of 30 fte) calculated at £55,000 per fte;
- there will be significant access to, engagement with and involvement of Officers and specialists from across the forces and this cost is met through force budgets;
- a proportion of Scottish Government Reform Division cost, including the programme function, co-ordination unit, legislation and policy teams, is included within the costs;
- members of the project team are co-located with accommodation costs of £120k per annum based on 10m^2 per fte @ £20m^2 ;
- One-off kit-out costs of £120k based on £2000 per fte to cover office furniture and equipment;

- project costs include costs associated with wider stakeholder management, external and internal communication to facilitate change, maintain and manage expectations and maintain confidence;

- management of process improvement costs are included within project costs; and

- the cost of due diligence is included based on a cost of £40K for each donor entity and each receiving entity.

34. On this basis total programme costs (excluding 10% contingency allowance) are assessed as shown in table A2.

Table A2 Estimated programme costs; by option

Programme Costs	0	1	2	3	4	5 Year Total
Option 1 (Eight forces enhanced)	£3,436	£9,415	£8,209	£2,009	£0	£23,069
Option 2 (Regional Force)	£3,436	£9,615	£8,209	£2,009	£0	£23,269
Option 3 (Single Force)	£3,436	£9,335	£8,209	£2,009	£0	£22,989

Table in £,000

People costs

35. People costs have been estimated for each of the three structural options. Redundancy costs are not relevant to the option appraisal but are covered within the financial appraisal.

36. The harmonisation of police staff terms and conditions are assumed to be cost neutral. Based on the SPSA experience there may be some reduction to productivity due to reduced standard hours (SPSA reduced to a 35 hour week). It is assumed that there is no reduction to average hours and/or any such reduction would not impact overall productivity.

37. The harmonisation to a single pay and grading structure for police staff has been assessed based on the SPSA experience. This indicates an increase to the staff paybill of around 1.8% the first two years following implementation due to the uplift of salary for staff “below the line” and short term protection for salaries “above the line”. It is assumed that the increase to the paybill is reduced by a small amount (0.2%) after the pay protection for those staff “above the line” ceases.

38. Redundancy costs relate to the financial appraisal only (HMT guidance excludes these from economic appraisals). The provision for redundancy/early retirement costs within the financial appraisal are based on the actual cost incurred through recent (force and SPSA) voluntary redundancy (VR) programmes. Assumptions within the estimates include that:

- compulsory redundancy is a not an option, with significantly enhanced VR terms required to make the required reduction in staff numbers;

- estimated staff efficiencies, less per capita cost reductions, have been converted to fte based on an average staff cost of £27k pa;
- a natural attrition rate of 3% (a reduction on historic average) has been assumed, with redundancy required to address the remaining fte reductions;
- compensation has been assumed at 150% of cost; and
- as the project baseline is 2010/2011 budget, the impact of recent redundancy programmes will be offset as already incurred cost. Further work is required to gather this data and establish the incremental element of the redundancy provision.

39. Should compulsory redundancy become an option this would significantly reduce the cost of compensation payments. The impact of compulsory redundancy would be to reduce the redundancy provision by around 45%. The impact to cost of redundancy would depend on the timing of any such change to policy.

40. Significant training will be required for a large number of officers and staff in order to optimise utilisation and effectiveness of the new TOM. Such training will predominantly focus on the areas of process and technology change. Whilst some of this training requirement may be 'new', most business areas already schedule regular refresher training, e.g. firearms, roads policing, public order, etc.

41. It is assumed that this additional requirement will be met through a provision based on an average of 2 days per annum for officers @ £200 per day and 2 days per annum for police staff @ £100 per day during the period September 2011 to March 2014. This is in addition to the training provision already contained within the baseline; this would be re-prioritised to meet transformation needs.

42. It is assumed that the implementation of the TOM approach would result in the need to relocate or pay excess travel compensation to some employees. The provision is based on 0.25% of employees relocating @ £10k each, and 0.75% claiming excess travel compensation of £3k each per annum for 4 years from transition.

43. Tables A3-A5 provide details of the estimated people costs for each option.

Table A3 Estimated people costs - Option 1 (Eight forces enhanced)

Option 1	**0**	**1**	**2**	**3**	**4**
Harmonisation	£0	£0	£0	£3,613	£3,613
Training	£0	£0	£8,381	£8,381	£0
Relocation	£0	£0	£1,172	£555	£555
Contingency/Optimism Bias	£0	£0	£5,063	£4,736	£294
Redundancy*	£1,317	£4,577	£17,936	£17,756	£11,602

Table in £,000

* relevant to financial appraisal only

Table A4 Estimated people costs – Option 2 (regional force)

Option 2	0	1	2	3	4
Harmonisation	£0	£0	£0	£3,456	£3,456
Training	£0	£0	£8,316	£8,316	£0
Relocation	£0	£0	£1,157	£548	£548
Contingency/Optimism Bias	£0	£0	£5,021	£4,698	£290
Redundancy*	£1,571	£5,281	£19,773	£24,897	£11,720

Table in £,000

* relevant to financial appraisal only

Table A5 Estimated people costs - Option 3 (single force)

Option 3	0	1	2	3	4
Harmonisation	£0	£0	£0	£3,256	£3,256
Training	£0	£0	£8,234	£8,234	£0
Relocation	£0	£0	£1,137	£539	£539
Contingency/Optimism Bias	£0	£0	£4,967	£4,650	£286
Redundancy*	£1,834	£5,805	£22,510	£33,987	£16,623

Table in £,000

* relevant to financial appraisal only

44. Total people related costs for the first five years excluding redundancy costs (for the economic appraisal) and including redundancy (for the financial appraisal) are detailed in tables A6-A7.

Table A6 Five year people-related costs (Economic); by option

Totals excluding redundancy	0	1	2	3	4
Option 1 (Eight forces enhanced)	£0	£0	£14,616	£17,285	£4,463
Option 2 (Regional Force)	£0	£0	£14,494	£17,018	£4,294
Option 3 (Single Force)	£0	£0	£14,338	£16,679	£4,081

Table in £,000

Table A7 Five year people-related costs (Financial); by option

Totals including redundancy	0	1	2	3	4
Option 1 (Eight forces enhanced)	£1,317	£4,577	£32,552	£35,042	£16,065
Option 2 (Regional Force)	£1,571	£5,281	£34,267	£41,915	£16,014
Option 3 (Single Force)	£1,834	£5,805	£36,847	£50,665	£20,704

Table in £,000

Shadow Governance

45. The cost of shadow governance has been based on 6 months of the respective additional Executive Command functions. The parallel arrangements are most complex in the Regional Force option and least complex in the Single service option. The assessed costs are detailed in Table A8. The variation in cost reflects the variation in complexity of parallel management requirements.

Table A8 Estimated Shadow Governance Costs; by option

	0	1	2	3	4
Option 1 (Eight forces enhanced)	£0	£468	£0	£0	£0
Option 2 (Regional Force)	£0	£2,418	£0	£0	£0
Option 3 (Single Force)	£0	£1,720	£0	£0	£0

Table in £,000

Technology costs

46. Based on advice from the ICT professional lead, a proportion of the initial consolidation and rationalisation can be achieved using existing infrastructure and systems. In some cases common infrastructure already exists.

47. The current ACPOS Business Change Programme (which considers Scotland-wide ICT convergence) and in-force ICT projects are likely to be re-prioritised to meet the combined priorities of business as usual and transformation. There is already considerable spend on ICT as well as a provision for consolidation (BCP) within the baseline.

48. On this basis, it is assumed that much of the transition could be achieved through re-prioritisation of current ICT resource. However, estimates of one-off capital costs (£1M) have been included in line with professional leads' estimates to consolidate specified current functional systems i.e. Cedar Finance, Centurion for Professional Standards. A further provision of £11m has been added to the ICT costs to cover acceleration of projects and parallel running as appropriate. A significant optimism bias factor has also been added at this stage, which will be reduced as and when specific requirements are developed in more detail. The ICT costs are summarised in Table A9.

Table A9 Estimated Technology costs

	0	1	2	3	4
Technology Costs	£0	£2,000	£5,000	£5,000	£0
Contingency/Optimism Bias	£0	£2,000	£5,000	£5,000	£0
Total (all options)	£0	£4,000	£10,000	£10,000	£0

Table in £,000

49. The total of the assessed marginal cost of ICT change is considered to be similar for all options, although there is a likely impact of more complex decision making process in the eight forces and regional options.

Branding costs

50. Some investment will be required to achieve re-branding (e.g. badging and livery); however to the majority of customers the main brand is assumed to be the "police" brand. It is assumed that the main livery and re-branding will be undertaken on a replacement basis and that this is cost neutral for all options.

51. However, the Regional Force option presents a more complex re-branding with a new national entity and three new regional entities.

52. More relevant than the physical brand are the brand values and communication of change to ensure that public confidence in policing is maintained or enhanced. These costs are included within the project management costs.

Assets and Estate

53. An overriding principle within any implementation of the Target Operating Model is the optimisation of current assets, including estate. There is a real

opportunity to optimise and rationalise existing asset. On this basis no additional cost is projected for any of the three options.

54. While there are likely to be some costs associated with the development of the estate (for example dilapidations, change of use, change of requirement) there are also likely to be benefits from rationalisation of the requirement. It is assumed that the net impact of cost and benefit is neutral.

Transaction

55. Cost associated with the transfer of or exit from contractual arrangements is assumed cost neutral within the projections for all options.

VAT impact

56. As a transfer to the Exchequer, VAT implications are excluded from economic appraisals but are relevant to financial appraisals. VAT implications of restructure will impact from the time of the restructure and will be recurring.

57. At present the eight forces have the ability under Section 33 to recover the VAT costs they incur. ICT procurement is exempt from VAT through the operation of the Agency Agreement, and SPSA pays irrecoverable VAT on its goods and services.

58. In both the Regional and Eight forces (enhanced) models it has been assumed that SPSA takes on the role of national provider of all non-operational support services, incurring irrecoverable VAT on related goods and services. In addition the national operational policing entity would incur irrecoverable VAT on related goods and services. In these options it is considered that the Agency Agreement for ICT procurement would remain in force.

59. In the Single Service model it is assumed that SPSA is subsumed within the Single Service and on this basis the Agency Agreement would be dissolved. Funded directly from Scottish Government, a single force would not automatically receive the ability under Section 33 to recover VAT and may be liable for irrecoverable VAT on all goods. Although HMRC will be approached, the costings currently include the potential impact of VAT as follows, as this ability to recover VAT is not yet in place:

- An estimated £14.1M of additional cost has been provided for in the regional and eight forces models based on a 20% irrecoverable VAT bill in relation to those functions transferred to the national policing and national support entities.

- An estimated £22.1M of additional cost has been provided for in the single force model based on a 20% irrecoverable VAT bill in relation to VAT currently recovered by forces under Section 33 and VAT relating to goods purchased under the Agency Agreement.

Table A10 Economic Analysis - Option 1 (Eight forces enhanced)

Economic Analysis - Eight Force

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
Capital costs																
Programme/Project	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Shadow governance	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
ICT	£0	£2,000	£5,000	£5,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£12,000
Training	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Relocation/Excess Travel	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other Costs	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total	£0	£2,000	£5,000	£5,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£12,000
Revenue Costs																
Programme/Project	£3,436	£9,415	£8,209	£2,009	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£23,069
Shadow governance	£0	£468	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£468
ICT	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Training	£0	£0	£8,381	£8,381	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£16,762
Relocation/Excess Travel	£0	£0	£1,172	£555	£555	£555	£0	£0	£0	£0	£0	£0	£0	£0	£0	£2,837
Other Costs	£0	£0	£0	£3,613	£3,613	£3,212	£3,212	£3,212	£3,212	£3,212	£3,212	£3,212	£3,212	£3,212	£3,212	£39,346
Total	£3,436	£9,883	£17,762	£14,558	£4,168	£3,767	£3,212	£3,212	£3,212	£3,212	£3,212	£3,212	£3,212	£3,212	£3,212	£82,481
Contingency/Optimism Bias	£344	£3,189	£10,884	£9,937	£294	£294	£0	£0	£0	£0	£0	£0	£0	£0	£0	£24,942
Total Costs	**£3,780**	**£15,072**	**£33,645**	**£29,495**	**£4,463**	**£4,061**	**£3,212**	**£3,212**	**£3,212**	**£3,212**	**£3,212**	**£3,212**	**£3,212**	**£3,212**	**£3,212**	**£119,423**
Cashable Savings																
Officers	£17,300	£17,325	£18,508	£20,094	£20,861	£20,861	£20,861	£20,861	£20,861	£20,861	£20,861	£20,861	£20,861	£20,861	£20,861	£302,695
Staff	£3,905	£9,551	£24,377	£39,081	£47,055	£47,055	£47,055	£47,055	£47,055	£47,055	£47,055	£47,055	£47,055	£47,055	£47,055	£594,517
Vehicles	£0	£0	£176	£512	£702	£702	£702	£702	£702	£702	£702	£702	£702	£702	£702	£8,409
Supplies/Equipment	£0	£0	£5,369	£14,078	£19,331	£19,331	£19,331	£19,331	£19,331	£19,331	£19,331	£19,331	£19,331	£19,331	£19,331	£232,089
Estate	£0	£0	£0	£2,650	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£60,950
ICT	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Transfer/Outsource	£0	£0	£1,550	£5,608	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£86,501
Cost Avoidance	£0	£0	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£3,250
Income Generation	£0	£0	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£22,750
Total	£21,205	£26,876	£51,980	£84,023	£102,462	£102,462	£102,462	£102,462	£102,462	£102,462	£102,462	£102,462	£102,462	£102,462	£102,462	£1,311,160
Non-Cashable Savings																
Officers	£0	£316	£1,539	£11,618	£15,270	£18,270	£18,270	£18,270	£18,270	£18,270	£18,270	£18,270	£18,270	£18,270	£18,270	£211,437
Staff	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Estate	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total	£0	£316	£1,539	£11,618	£15,270	£18,270	£18,270	£18,270	£18,270	£18,270	£18,270	£18,270	£18,270	£18,270	£18,270	£211,437
Total Benefits	**£21,205**	**£27,192**	**£53,519**	**£95,640**	**£117,731**	**£120,731**	**£120,731**	**£120,731**	**£120,731**	**£120,731**	**£120,731**	**£120,731**	**£120,731**	**£120,731**	**£120,731**	**£1,522,598**
Net Benefits	**£17,425**	**£12,119**	**£19,873**	**£66,145**	**£113,269**	**£116,670**	**£117,519**	**£117,519**	**£117,519**	**£117,519**	**£117,519**	**£117,519**	**£117,519**	**£117,519**	**£117,519**	**£1,403,174**
Discount Factor	*1.0000*	*0.9662*	*0.9335*	*0.9019*	*0.8714*	*0.8420*	*0.8135*	*0.7860*	*0.7594*	*0.7337*	*0.7089*	*0.6849*	*0.6618*	*0.6394*	*0.6178*	
NPV	**£17,425**	**£11,710**	**£18,552**	**£59,659**	**£98,707**	**£98,233**	**£95,602**	**£92,369**	**£89,245**	**£86,227**	**£83,312**	**£80,494**	**£77,772**	**£75,142**	**£72,601**	**£1,057,051**

Table in £,000

Table A11 Economic Analysis - Option 2 (Regional force)

Economic Analysis - Regional Force

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
Capital costs																
Programme/Project	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Shadow governance	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
ICT	£0	£2,000	£5,000	£5,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£12,000
Training	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Relocation/Excess Travel	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other Costs	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total	£0	£2,000	£5,000	£5,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£12,000
Revenue Costs																
Programme/Project	£3,436	£9,615	£8,209	£2,009	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£23,269
Shadow governance	£0	£2,418	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£2,418
ICT	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Training	£0	£0	£8,316	£8,316	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£16,632
Relocation/Excess Travel	£0	£0	£1,157	£548	£548	£548	£0	£0	£0	£0	£0	£0	£0	£0	£0	£2,801
Other Costs	£0	£0	£0	£3,456	£3,456	£3,072	£3,072	£3,072	£3,072	£3,072	£3,072	£3,072	£3,072	£3,072	£3,072	£37,631
Total	£3,436	£12,033	£17,682	£14,329	£4,004	£3,620	£3,072	£3,072	£3,072	£3,072	£3,072	£3,072	£3,072	£3,072	£3,072	£82,750
Contingency/Optimism Bias	£344	£4,243	£10,842	£9,899	£290	£290	£0	£0	£0	£0	£0	£0	£0	£0	£0	£25,908
Total Costs	**£3,780**	**£18,275**	**£33,523**	**£29,228**	**£4,294**	**£3,910**	**£3,072**	**£3,072**	**£3,072**	**£3,072**	**£3,072**	**£3,072**	**£3,072**	**£3,072**	**£3,072**	**£120,658**
Cashable Savings																
Officers	£17,300	£17,350	£19,248	£21,624	£22,184	£22,184	£22,184	£22,184	£22,184	£22,184	£22,184	£22,184	£22,184	£22,184	£22,184	£319,545
Staff	£4,080	£10,209	£26,299	£45,911	£53,966	£53,966	£53,966	£53,966	£53,966	£53,966	£53,966	£53,966	£53,966	£53,966	£53,966	£680,120
Vehicles	£0	£0	£176	£512	£702	£702	£702	£702	£702	£702	£702	£702	£702	£702	£702	£8,409
Supplies/Equipment	£0	£0	£7,296	£16,215	£21,528	£21,528	£21,528	£21,528	£21,528	£21,528	£21,528	£21,528	£21,528	£21,528	£21,528	£260,325
Estate	£0	£0	£0	£2,650	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£60,950
ICT	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other	£0	£0	£500	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£12,500
Transfer/Outsource	£0	£0	£1,550	£5,608	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£86,501
Cost Avoidance	£0	£0	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£3,250
Income Generation	£0	£0	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£22,750
Total	£21,380	£27,559	£57,068	£95,520	£113,893	£113,893	£113,893	£113,893	£113,893	£113,893	£113,893	£113,893	£113,893	£113,893	£113,893	£1,454,350
Non-Cashable Savings																
Officers	£0	£357	£6,380	£14,359	£17,949	£20,949	£20,949	£20,949	£20,949	£20,949	£20,949	£20,949	£20,949	£20,949	£20,949	£248,533
Staff	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Estate	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total	£0	£357	£6,380	£14,359	£17,949	£20,949	£20,949	£20,949	£20,949	£20,949	£20,949	£20,949	£20,949	£20,949	£20,949	£248,533
Total Benefits	**£21,380**	**£27,916**	**£63,449**	**£109,879**	**£131,842**	**£134,842**	**£134,842**	**£134,842**	**£134,842**	**£134,842**	**£134,842**	**£134,842**	**£134,842**	**£134,842**	**£134,842**	**£1,702,884**
Net Benefits	**£17,600**	**£9,641**	**£29,926**	**£80,651**	**£127,547**	**£130,931**	**£131,770**	**£131,770**	**£131,770**	**£131,770**	**£131,770**	**£131,770**	**£131,770**	**£131,770**	**£131,770**	**£1,582,225**
Discount Factor	*1.0000*	*0.9662*	*0.9335*	*0.9019*	*0.8714*	*0.8420*	*0.8135*	*0.7860*	*0.7594*	*0.7337*	*0.7089*	*0.6849*	*0.6618*	*0.6394*	*0.6178*	
NPV	**£17,600**	**£9,315**	**£27,936**	**£72,743**	**£111,150**	**£110,241**	**£107,195**	**£103,570**	**£100,068**	**£96,684**	**£93,414**	**£90,255**	**£87,203**	**£84,254**	**£81,405**	**£1,193,032**

Table in £,000

Table A12 Economic Analysis - Option 3 (Single force)

Economic Analysis - Single Force

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
Capital costs																
Programme/Project	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Shadow governance	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
ICT	£0	£2,000	£5,000	£5,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£12,000
Training	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Relocation/Excess Travel	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other Costs	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total	£0	£2,000	£5,000	£5,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£12,000
Revenue Costs																
Programme/Project	£3,436	£9,335	£8,209	£2,009	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£22,989
Shadow governance	£0	£1,720	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£1,720
ICT	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Training	£0	£0	£8,234	£8,234	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£16,468
Relocation/Excess Travel	£0	£0	£1,137	£539	£539	£539	£0	£0	£0	£0	£0	£0	£0	£0	£0	£2,754
Other Costs	£0	£0	£0	£3,256	£3,256	£2,894	£2,894	£2,894	£2,894	£2,894	£2,894	£2,894	£2,894	£2,894	£2,894	£35,456
Total	£3,436	£11,055	£17,580	£14,038	£3,795	£3,433	£2,894	£2,894	£2,894	£2,894	£2,894	£2,894	£2,894	£2,894	£2,894	£79,387
Contingency/Optimism Bias	£344	£3,845	£10,787	£9,851	£286	£286	£0	£0	£0	£0	£0	£0	£0	£0	£0	£25,398
Total Costs	**£3,780**	**£16,900**	**£33,367**	**£28,889**	**£4,081**	**£3,719**	**£2,894**	**£2,894**	**£2,894**	**£2,894**	**£2,894**	**£2,894**	**£2,894**	**£2,894**	**£2,894**	**£116,785**
Cashable Savings																
Officers	£17,300	£17,376	£19,851	£22,676	£23,648	£23,648	£23,648	£23,648	£23,648	£23,648	£23,648	£23,648	£23,648	£23,648	£23,648	£337,331
Staff	£4,260	£10,750	£28,720	£54,579	£66,004	£66,004	£66,004	£66,004	£66,004	£66,004	£66,004	£66,004	£66,004	£66,004	£66,004	£824,351
Vehicles	£0	£0	£176	£512	£702	£702	£702	£702	£702	£702	£702	£702	£702	£702	£702	£8,409
Supplies/Equipment	£0	£0	£9,085	£18,075	£23,403	£23,403	£23,403	£23,403	£23,403	£23,403	£23,403	£23,403	£23,403	£23,403	£23,403	£284,592
Estate	£0	£0	£0	£2,650	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£60,950
ICT	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other	£0	£0	£1,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£25,000
Transfer/Outsource	£0	£0	£1,550	£5,608	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£86,501
Cost Avoidance	£0	£0	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£3,250
Income Generation	£0	£0	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£22,750
Total	£21,560	£28,126	£62,382	£108,099	£130,270	£130,270	£130,270	£130,270	£130,270	£130,270	£130,270	£130,270	£130,270	£130,270	£130,270	£1,653,134
Non-Cashable Savings																
Officers	£0	£399	£3,522	£15,350	£20,342	£23,342	£23,342	£23,342	£23,342	£23,342	£23,342	£23,342	£23,342	£23,342	£23,342	£273,035
Staff	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Estate	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total	£0	£399	£3,522	£15,350	£20,342	£23,342	£23,342	£23,342	£23,342	£23,342	£23,342	£23,342	£23,342	£23,342	£23,342	£273,035
Total Benefits	**£21,560**	**£28,525**	**£65,904**	**£123,449**	**£150,612**	**£153,612**	**£153,612**	**£153,612**	**£153,612**	**£153,612**	**£153,612**	**£153,612**	**£153,612**	**£153,612**	**£153,612**	**£1,926,169**
Net Benefits	**£17,781**	**£11,625**	**£32,537**	**£94,560**	**£146,531**	**£149,893**	**£150,718**	**£150,718**	**£150,718**	**£150,718**	**£150,718**	**£150,718**	**£150,718**	**£150,718**	**£150,718**	**£1,809,384**
Discount Factor	*1.0000*	*0.9662*	*0.9335*	*0.9019*	*0.8714*	*0.8420*	*0.8135*	*0.7860*	*0.7594*	*0.7337*	*0.7089*	*0.6849*	*0.6618*	*0.6394*	*0.6178*	
NPV	**£17,781**	**£11,232**	**£30,374**	**£85,288**	**£127,693**	**£126,206**	**£122,609**	**£118,463**	**£114,457**	**£110,586**	**£106,846**	**£103,233**	**£99,742**	**£96,369**	**£93,111**	**£1,363,989**

Table in £,000

Table A13 Financial Analysis - Option 1 (Eight forces enhanced)

Financial Analysis - Eight Force

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
Capital costs																
Programme/Project	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Shadow governance	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Redundancy	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
ICT	£0	£2,000	£5,000	£5,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£12,000
Training	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Relocation/Excess Travel	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other Costs	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total	£0	£2,000	£5,000	£5,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£12,000
Revenue Costs																
Programme/Project	£3,436	£9,415	£8,209	£2,009	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£23,069
Shadow governance	£0	£468	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£468
Redundancy	£1,317	£4,577	£17,936	£17,756	£11,602	-£0	£0	-£0	£0	-£0	£0	-£0	£0	-£0	£0	£53,187
ICT	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Training	£0	£0	£8,381	£8,381	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£16,762
Relocation/Excess Travel	£0	£0	£1,172	£555	£555	£555	£0	£0	£0	£0	£0	£0	£0	£0	£0	£2,837
Other Costs	£0	£0	£0	£3,613	£3,613	£3,212	£3,212	£3,212	£3,212	£3,212	£3,212	£3,212	£3,212	£3,212	£3,212	£39,346
Total	£4,753	£14,459	£35,697	£32,314	£15,770	£3,767	£3,212	£3,212	£3,212	£3,212	£3,212	£3,212	£3,212	£3,212	£3,212	£135,668
Transfer Payments	£0	£0	£14,122	£14,122	£14,122	£14,122	£14,122	£14,122	£14,122	£14,122	£14,122	£14,122	£14,122	£14,122	£14,122	£183,586
Contingency/Optimism Bias	£344	£3,189	£10,884	£9,937	£294	£294	£0	£0	£0	£0	£0	£0	£0	£0	£0	£24,942
Total Costs	**£5,096**	**£19,649**	**£65,703**	**£61,373**	**£30,187**	**£18,183**	**£17,334**	**£17,334**	**£17,334**	**£17,334**	**£17,334**	**£17,334**	**£17,334**	**£17,334**	**£17,334**	**£356,197**
Cashable Savings																
Officers	£17,300	£17,325	£18,508	£20,094	£20,861	£20,861	£20,861	£20,861	£20,861	£20,861	£20,861	£20,861	£20,861	£20,861	£20,861	£302,695
Staff	£3,905	£9,551	£24,377	£39,081	£47,055	£47,055	£47,055	£47,055	£47,055	£47,055	£47,055	£47,055	£47,055	£47,055	£47,055	£594,517
Vehicles	£0	£0	£176	£512	£702	£702	£702	£702	£702	£702	£702	£702	£702	£702	£702	£8,409
Supplies/Equipment	£0	£0	£5,369	£14,078	£19,331	£19,331	£19,331	£19,331	£19,331	£19,331	£19,331	£19,331	£19,331	£19,331	£19,331	£232,089
Estate	£0	£0	£0	£2,650	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£60,950
ICT	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Transfer/Outsource	£0	£0	£1,550	£5,608	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£86,501
Cost Avoidance	£0	£0	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£3,250
Income Generation	£0	£0	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£22,750
Transfer Payments	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total	**£21,205**	**£26,876**	**£51,980**	**£84,023**	**£102,462**	**£102,462**	**£102,462**	**£102,462**	**£102,462**	**£102,462**	**£102,462**	**£102,462**	**£102,462**	**£102,462**	**£102,462**	**£1,311,160**
Net Cash Flow	**£16,109**	**£7,227**	**-£13,723**	**£22,649**	**£72,275**	**£84,278**	**£85,128**	**£85,128**	**£85,128**	**£85,128**	**£85,128**	**£85,128**	**£85,128**	**£85,128**	**£85,128**	**£954,963**

Table in £,000

Table A14 Financial Analysis - Option 2 (Regional force)

Financial Analysis - Regional Force

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
Capital costs																
Programme/Project	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Shadow governance	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Redundancy	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
ICT	£0	£2,000	£5,000	£5,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£12,000
Training	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Relocation/Excess Travel	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other Costs	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	£0	£2,000	£5,000	£5,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£12,000
Revenue Costs																
Programme/Project	£3,436	£9,615	£8,209	£2,009	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£23,269
Shadow governance	£0	£2,418	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£2,418
Redundancy	£1,571	£5,281	£19,773	£24,897	£11,720	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£63,242
ICT	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Training	£0	£0	£8,316	£8,316	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£16,632
Relocation/Excess Travel	£0	£0	£1,157	£548	£548	£548	£0	£0	£0	£0	£0	£0	£0	£0	£0	£2,801
Other Costs	£0	£0	£0	£3,456	£3,456	£3,072	£3,072	£3,072	£3,072	£3,072	£3,072	£3,072	£3,072	£3,072	£3,072	£37,631
	£5,007	£17,313	£37,455	£39,226	£15,724	£3,620	£3,072	£3,072	£3,072	£3,072	£3,072	£3,072	£3,072	£3,072	£3,072	£145,993
Transfer Payments	£0	£0	£14,122	£14,122	£14,122	£14,122	£14,122	£14,122	£14,122	£14,122	£14,122	£14,122	£14,122	£14,122	£14,122	£183,586
Contingency/Optimism Bias	£344	£4,243	£10,842	£9,899	£290	£290	£0	£0	£0	£0	£0	£0	£0	£0	£0	£25,908
Total Costs	**£5,351**	**£23,556**	**£67,418**	**£68,247**	**£30,136**	**£18,032**	**£17,194**	**£17,194**	**£17,194**	**£17,194**	**£17,194**	**£17,194**	**£17,194**	**£17,194**	**£17,194**	**£367,487**
																0
Cashable Savings																0
Officers	£17,300	£17,350	£19,248	£21,624	£22,184	£22,184	£22,184	£22,184	£22,184	£22,184	£22,184	£22,184	£22,184	£22,184	£22,184	£319,545
Staff	£4,080	£10,209	£26,299	£45,911	£53,966	£53,966	£53,966	£53,966	£53,966	£53,966	£53,966	£53,966	£53,966	£53,966	£53,966	£680,120
Vehicles	£0	£0	£176	£512	£702	£702	£702	£702	£702	£702	£702	£702	£702	£702	£702	£8,409
Supplies/Equipment	£0	£0	£7,296	£16,215	£21,528	£21,528	£21,528	£21,528	£21,528	£21,528	£21,528	£21,528	£21,528	£21,528	£21,528	£260,325
Estate	£0	£0	£0	£2,650	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£60,950
ICT	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other	£0	£0	£500	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£12,500
Transfer/Outsource	£0	£0	£1,550	£5,608	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£86,501
Cost Avoidance	£0	£0	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£3,250
Income Generation	£0	£0	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£22,750
Transfer Payments	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	£21,380	**£27,559**	**£57,068**	**£95,520**	**£113,893**	**£113,893**	**£113,893**	**£113,893**	**£113,893**	**£113,893**	**£113,893**	**£113,893**	**£113,893**	**£113,893**	**£113,893**	**£1,454,350**
Total Cash Flow	**£16,029**	**£4,003**	**-£10,350**	**£27,273**	**£83,757**	**£95,861**	**£96,699**	**£96,699**	**£96,699**	**£96,699**	**£96,699**	**£96,699**	**£96,699**	**£96,699**	**£96,699**	**£1,086,864**

Table in £,000

Table A15 Financial Analysis - Option 3 (Single force)

Financial Analysis - Single Force

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total
Capital costs																
Programme/Project	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Shadow governance	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Redundancy	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
ICT	£0	£2,000	£5,000	£5,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£12,000
Training	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Relocation/Excess Travel	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other Costs	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	£0	£2,000	£5,000	£5,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£12,000
Revenue Costs																
Programme/Project	£3,436	£9,335	£8,209	£2,009	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£22,989
Shadow governance	£0	£1,720	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£1,720
Redundancy	£1,834	£5,805	£22,510	£33,987	£16,623	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£80,758
ICT	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Training	£0	£0	£8,234	£8,234	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£16,468
Relocation/Excess Travel	£0	£0	£1,137	£539	£539	£539	£0	£0	£0	£0	£0	£0	£0	£0	£0	£2,754
Other Costs	£0	£0	£0	£3,256	£3,256	£2,894	£2,894	£2,894	£2,894	£2,894	£2,894	£2,894	£2,894	£2,894	£2,894	£35,456
	£5,270	£16,860	£40,089	£48,025	£20,418	£3,433	£2,894	£2,894	£2,894	£2,894	£2,894	£2,894	£2,894	£2,894	£2,894	£160,145
Transfer Payments	£0	£0	£22,122	£22,122	£22,122	£22,122	£22,122	£22,122	£22,122	£22,122	£22,122	£22,122	£22,122	£22,122	£22,122	£287,586
Contingency/Optimism bias	£344	£3,845	£10,787	£9,851	£286	£286	£0	£0	£0	£0	£0	£0	£0	£0	£0	£25,398
Total Costs	**£5,613**	**£22,705**	**£77,999**	**£84,997**	**£42,826**	**£25,841**	**£25,016**	**£25,016**	**£25,016**	**£25,016**	**£25,016**	**£25,016**	**£25,016**	**£25,016**	**£25,016**	**£485,129**
Cashable Savings																
Officers	£17,300	£17,376	£19,851	£22,676	£23,648	£23,648	£23,648	£23,648	£23,648	£23,648	£23,648	£23,648	£23,648	£23,648	£23,648	£337,331
Staff	£4,260	£10,750	£28,720	£54,579	£66,004	£66,004	£66,004	£66,004	£66,004	£66,004	£66,004	£66,004	£66,004	£66,004	£66,004	£824,351
Vehicles	£0	£0	£176	£512	£702	£702	£702	£702	£702	£702	£702	£702	£702	£702	£702	£8,409
Supplies/Equipment	£0	£0	£9,085	£18,075	£23,403	£23,403	£23,403	£23,403	£23,403	£23,403	£23,403	£23,403	£23,403	£23,403	£23,403	£284,592
Estate	£0	£0	£0	£2,650	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£5,300	£60,950
ICT	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other	£0	£0	£1,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£25,000
Transfer/Outsource	£0	£0	£1,550	£5,608	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£7,213	£86,501
Cost Avoidance	£0	£0	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£3,250
Income Generation	£0	£0	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£1,750	£22,750
Transfer Payments	£0	£0	£300	£600	£600	£600	£600	£600	£600	£600	£600	£600	£600	£600	£600	£7,500
	£21,560	**£28,126**	**£62,682**	**£108,699**	**£130,870**	**£130,870**	**£130,870**	**£130,870**	**£130,870**	**£130,870**	**£130,870**	**£130,870**	**£130,870**	**£130,870**	**£130,870**	**£1,660,634**
Total Cash Flow	**£15,947**	**£5,421**	**-£15,317**	**£23,702**	**£88,044**	**£105,029**	**£105,853**	**£105,853**	**£105,853**	**£105,853**	**£105,853**	**£105,853**	**£105,853**	**£105,853**	**£105,853**	**£1,175,505**

Table in £,000