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| Meeting | Public SPA Board Meeting |
| Date | 22 March 2017 |
| Location | Stirling Court Hotel, Stirling |
| Title of Paper | SPA & PS Capital and Revenue Annual Budgets 2017/18 |
| Item Number | 6.2 |
| Presented By | Interim Chief Financial Officer |
| Recommendation to Members | For Approval |
| Appendix Attached | YES |

PURPOSE

The Scottish Police Authority has a legal obligation, before the beginning of each financial year, to provide details of how it intends to allocate the financial resources it expects to have available.

This paper sets out the funds the Authority has available for 2015/16 and proposes how these should be allocated.

This paper is presented in line with the Scottish Police Authority Governance Framework, and is seeks approval from the SPA Board.

1. BACKGROUND

- 1.1 The draft budget report attached at Appendix 1 sets out the available funding and estimated budget requirement in respect of the revenue, reform and capital streams for financial year 2017/18.
- 1.2 The report also presents the budget assumptions, cost pressures and savings proposals which underpin the estimated draft budget requirement.
- 1.2 The draft budget was considered by the Finance Committee on 10 March 2017 and the report has been updated to incorporate required changes following the Committee's review.

2. FURTHER DETAIL ON REPORT TOPIC

- 2.1 The detail is contained in the report attached Appendix 1.

3. FINANCIAL IMPLICATIONS

- 3.1 The financial implications arising as a direct result of this report are set out at Appendix 1.

4. PERSONNEL IMPLICATIONS

- 4.1 There will be further consultation in relation to any personnel implications arising from this report.

5. LEGAL IMPLICATIONS

- 5.1 There will be further consultation in relation to any legal implications arising from this report.

6. REPUTATIONAL IMPLICATIONS

- 6.1 There will be further consultation in relation to any reputational implications arising from this report.

7. SOCIAL IMPLICATIONS

- 7.1 There will be further consultation in relation to any social implications arising from this report.

8. COMMUNITY IMPACT

- 8.1 There will be further consultation in relation to any community impact arising from this report.

9. EQUALITIES IMPLICATIONS

- 9.1 There will be further consultation in relation to any equality implications arising from this report.

10 ENVIRONMENTAL IMPLICATIONS

- 10.1 There will be further consultation in relation to any environmental implications arising from this report.

RECOMMENDATIONS

Members are requested to:

Approve the Scottish Police Authority Draft Budget 2017/18.

SCOTTISH POLICE
AUTHORITY



Scottish Police Authority Draft Budget 2017/18

**SPA Board Meeting
22 March 2017**

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1. Executive Summary

- 1.1 This reports set out the Scottish Police Authority (SPA) budget for 2017/18. Approximately 97% of the annual spending is undertaken by Police Scotland, with the remainder incurred by the Forensics Service (2.6%) and the SPA Corporate body (0.4%).
- 1.2 The underlying revenue budget deficit for 2017-18 started at approximately £60m. A number of cost reductions and savings proposals have now been incorporated into the budget to reduce this gap. Despite this however, the proposed revenue budget requirement for 2017/18 (excluding VAT) is £1,069.6m compared with revenue grant funding of £1,022.4m and so this means that the SPA will be approving a budget with an operating deficit of £47.2m in 2017/18. This includes £0.4m of non-recurring net savings, meaning the underlying recurring revenue gap in 2017/18 is £47.6 m.
- 1.3 All measures possible will be taken throughout the year to minimise this deficit through seeking further non-recurring savings and additional income opportunities. The Scottish Government is aware of this budgetary position and that the SPA is working to a three year plan to deliver financial sustainability as part of the Policing 2026 work. As a result, the Scottish Government will provide appropriate wording in the budget allocation letter, supporting efforts to minimise costs pressures and manage the gap down as far as possible whilst assisting in mitigating wholly unavoidable costs through management of budgets across Scottish Government.
- 1.4 Despite the deficit, recurring cost savings (i.e. savings permanently removed from the revenue cost base) delivered since the creation of Police Scotland mean that the SPA is projected to meet the targeted £1.1 billion Police Reform savings by financial year 2025/26.
- 1.5 The proposed capital budget for 2017/18 is £42.4m. There is £30m of funding available from core grant and projected capital receipts. The balance of expenditure will be funded from the Police Reform / Change fund to support irrecoverable VAT and transformational investment (on presentation of business cases to Scottish Government demonstrating the business change that will be delivered as a result of the capital investment requested).
- 1.6 The Police Reform / Change fund is available to fund the cost of VAT and transformational change. Total funding of up to £59.5m is available to the SPA and there are proposals to fully utilise this funding.
- 1.7 The proposed budget is aligned with the initial thinking of the Policing 2026 Strategy, with a focus on delivering corporate services transformation and cost reduction, which maintains 17,234 Police Officers in 2017-18, and has a strong emphasis on investment through capital and reform spending, which will support the delivery of the Policing 2026 strategy in later years.

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2. Introduction to the 2017/18 Budget Report

- 2.1 The 2017/18 budget sets out the spending plans for the SPA and Police Scotland for the next financial year. However, the budget has not been developed looking at the next financial year in isolation, rather it has been built in full 360° awareness of our current circumstances; learning from the experiences of the first four years, ensuring alignment to the future direction of travel, as well as addressing the immediate challenges in 2017/18.
- 2.2 The service receives Scottish Government funding primarily from three main sources, revenue, capital and reform (the latter also known as 'Police Change & Transformation' funding). In terms of the allocation and monitoring of costs, there will be greater distinction between each of these funding streams in 2017/18. Thus, in order to ensure greater transparency in reporting, budget monitoring throughout the year will be clearly presented in respect of each distinct funding stream within our reports.
- 2.3 In respect of revenue, there is an underlying budget deficit in the coming year. Plans are being developed to address this deficit on a recurring basis in future years. This will be managed as part of the Policing 2026 programme which will set the longer term strategy for Police Scotland.
- 2.4 Work on defining this longer term strategy is ongoing and, as such, it has been challenging to develop the 2017/18 budget before the agreement of Policing 2026 programme outcomes and before the development of the first three year delivery plan.
- 2.5 However, the budget has been set in the knowledge of the broad themes of Policing 2026, whilst recognising that further detail will follow. The 2017/18 budget will form the baseline for the three year financial plan and the ten year financial strategy that will be developed later in 2017, following the approval of the 2026 Policing Strategy, and three year implementation plan.

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3. Principles of the 2017/18 Budget

- 3.1 The 2017/18 financial year is the first year of a three year plan to bring the SPA's budget into balance on a recurring basis.
- 3.2 The revenue budgeting approach continues to be further developed and refined. For the first time, a zero based approach has been used for the budgeting of Officer costs, moving away from previously used average salary calculations. Across the whole employee base, the approach has been to identify the actual pay costs for each individual employee and build the budget requirement on that more granular basis.
- 3.3 Finance staff have worked closely with all budget holders to identify cost pressures and savings. Cost pressures have been prioritised and will be managed centrally. As such no budget holder will be allocated budget for a cost pressure until the pressure materialises. Budgets have been reduced in line with identified savings plans.
- 3.4 All budgets have been formally agreed with budget-holders at the most senior level in the organisation. The purpose of this is to ensure that accountability for budget management lies with budget holders themselves and the direction of travel is to devolve controllable costs as far as possible in this regard. The process has involved a series of budget review meetings to assess requirements followed by budget sign off at Deputy Chief Constable (DCC) and Deputy Chief Officer (DCO) level as final budget approval prior to review through more formal internal governance at the Corporate Finance and Investment Board and Senior Leadership Board. The Accountable Officer has reviewed and approved the estimated budget requirement for Forensics and SPA Corporate.
- 3.5 The spending of both capital and reform funding will be closely scrutinised and, as such, any proposed spending will require to be transformational in nature and supported by a robust business case which clearly sets out the business need, costs and benefits. Business case submissions will be to Scottish Government for review and funding will be drawn down once approval has been granted.
- 3.6 In general, the financial protocols in place around the management and monitoring of budgets in financial year 2017/18 will be consistent with the Financial Regulations and Devolved Budgeting Guidance.

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4. Supporting the Delivery of the Policing 2026 Strategy

- 4.1 Policing 2026 is a collaborative and strategic programme of work being driven by the SPA and Police Scotland that aims to transform the police service over the next ten years. The strategy provides the opportunity to achieve long term sustainability and our vision of 'sustained excellence in service and protection'. It will also ensure Police Scotland is sufficiently flexible to meet changing priorities.
- 4.2 Our focus will be on improving the effect of our policing services and working more intelligently with partners and the public to deliver better outcomes for individuals and communities.
- 4.3 The Policing 2026 strategy will focus on five areas:
- i. protection: based on threat, risk and harm;
 - ii. prevention: tackling crime, inequality and enduring problems facing communities;
 - iii. communities: focused on localism, diversity and the virtual world;
 - iv. knowledge: informing the development of better services; and
 - v. innovation: dynamic, adaptable and sustainable.
- 4.4 Finance staff have been working closely with the Policing 2026 team to ensure that capital and reform spend is aligned to the Policing 2026 priorities.
- 4.5 The budget for 2017/18 will be set in advance of the completion of the Policing 2026 strategy, however, the budget has been set in the knowledge of the broad themes of the programme. Furthermore, the savings plans in 2017/18 include a focus on corporate services transformation and productivity gains which accords with the high level objects of the programme.
- 4.6 As mentioned in section 2, the 2017/18 budget will form the baseline for the three year financial plan and the ten year financial strategy that will be developed later in 2017, following the approval of the 2026 Policing Strategy, and three year implementation plan.

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5. Summary of 2017/18 Revenue Budget

5.1 The table below sets out the 2016/17 revenue budget and the draft 2017/18 revenue budget:

| | | Further Detail at Page | 2016/17 Budget £m | 2017/18 Budget £m |
|---|------------------------|---------------------------|-------------------------|-------------------------|
| Police Scotland | Police Officer Costs | 7 & 8 | 751.4 | 767.9 |
| | Police Staff Costs | 9 & 10 | 169.9 | 169.8 |
| | Non-pay Costs | 11 & 12 | 175.3 | 164.5 |
| | Income | 13 & 14 | -43.9 | -42.4 |
| | Unidentified Savings | | -29.6 | 0.0 |
| | Net Expenditure | | 1,023.1 | 1,059.8 |
| SPA | Forensics | 16 | 27.8 | 27.8 |
| | SPA Corporate | 16 | 4.0 | 4.0 |
| Total | | | 1,054.9 | 1,091.6 |
| Less: Reform VAT allocation | | 21 | -20.7 | -22.0 |
| Total Revenue Budget | | | 1,034.2 | 1,069.6 |
| <u>Funded by:</u> | | | | |
| Grant-in-Aid | | | 1,003.4 | 1,022.4 |
| Reform Funding (excl VAT) | | | 18.1 | - |
| Capital Funding Flexibility | | | 7.6 | - |
| Additional Funding | | | 5.1 | - |
| Outstanding Deficit Reduction Target (to be addressed by SG/SPA/PSoS) | | | - | 47.2* |
| Total Funding | | | 1,034.2 | 1,069.6 |

* Non-recurring items within the deficit are detailed at page 15.

5.2 The 2017/18 revenue budget contains both recurring and non-recurring savings. In the table above, all savings proposals are built into the budget lines to which they specifically relate. The operating budget for 2017/18 is inclusive of non-recurring items and so the budgeted net expenditure in 2017/18 is £1,091.6m (or £1,069.6m net of VAT). There are net non-recurring savings of £0.4m within the build (as detailed at page 15 of this report) and the one-off nature of these means that they will represent a net cost pressure in future years. Excluding non-recurring items, the underlying recurring revenue gap is £47.6m.

5.3 The revenue budget includes a number of budget assumptions. There is a financial risk if any budget assumption proves to be inaccurate. The key budget assumptions are set out below and will be monitored throughout the financial year.

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5.4 The key budget assumptions are:

- budgeting for 17,234 Police Officers;
- commitment to no compulsory redundancies;
- a pay award for Police Officers and Staff from 1 September 2017 in line with the public sector pay policy;
- payment of pay progression (increments);
- recruitment of critical staff roles to reduce operational risks (162 FTE at a cost of £3.6m);
- application of a non-recurring vacancy factor saving of (£4m) to the Police Staff budget;
- maternity, paternity and sick pay costs consistent with the previous year;
- savings from the anticipated release of Police Staff posts (saving an estimated £3m in year). This is subject to further business case development and union consultation;
- no general inflationary uplift;
- inclusion of the cost of irrecoverable VAT (funded from the Reform budget)
- the continuation of income received in 2016/17 by way of grant funding from local authorities and other partner organisations (unless formal notification has been received to advise to the contrary).

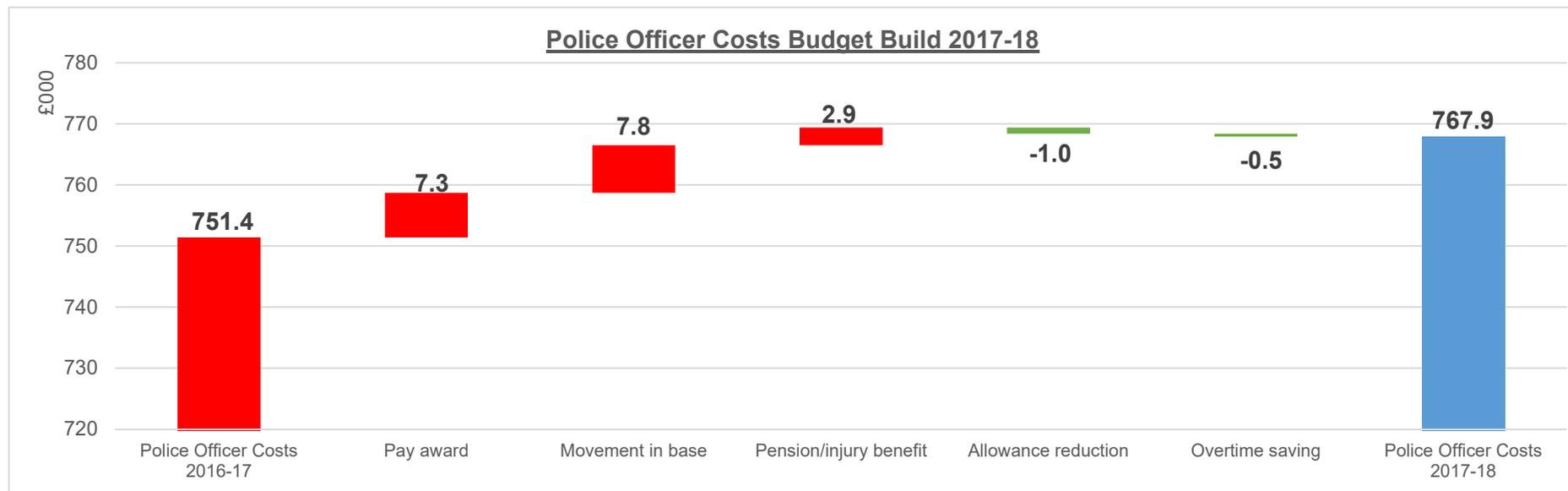
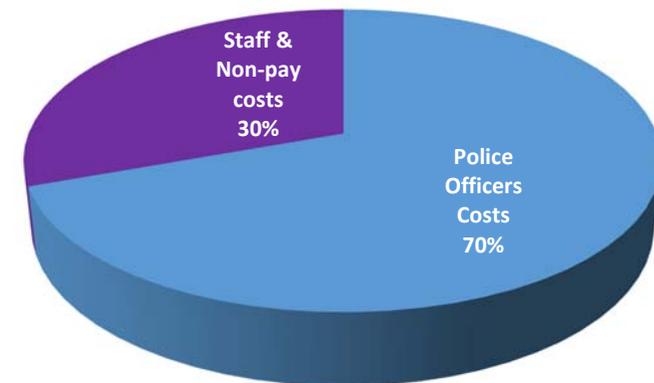
5.5 As highlighted in the table above, the SPA has an underlying operating deficit in 2017/18. Over the next three years this will be addressed.

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6. Police Officer Costs Budget

| | 2016/17 Budget £m | 2017/18 Budget £m |
|-------------------------------------|-------------------|-------------------|
| Police Officer Pay | 697.6 | 712.7 |
| Overtime | 16.0 | 15.5 |
| Allowances | 20.2 | 19.1 |
| Injury Benefit / Ill health pension | 17.6 | 20.6 |
| Total | 751.4 | 767.9 |



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Movement in Police Officers Budget from 2016/17 to 2017/18

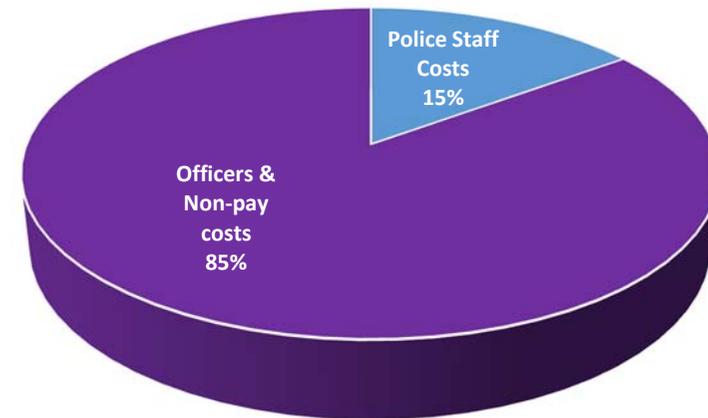
| | Movement £m | Description |
|------------------------------|------------------------|--|
| Pay award | 7.3 | In line with the public sector pay policy. |
| Movement in base | 7.8 | Cost of increments and add back non-recurring items net of savings from retirements, attrition, promotions, recruitment succession savings & delayering. Includes assessment of potential back dated cost liability re allowances. |
| Injury / ill health pensions | 2.9 | Mainly related to a forecast £1.8m increase in injury pensions and ill health £1.1m. |
| Allowance reduction | -1.0 | Reduction in rent and housing allowance as Officers retire and new probationers do not receive this allowance. |
| Net reduction in overtime | -0.5 | Net reduction in overtime. Comprised of: add back of 2016/17 non-recurring savings (£+1.7m); reduction in funded overtime (£-0.7m); and 2017/18 overtime saving (£-1.5m). |
| Total | 16.5 | |

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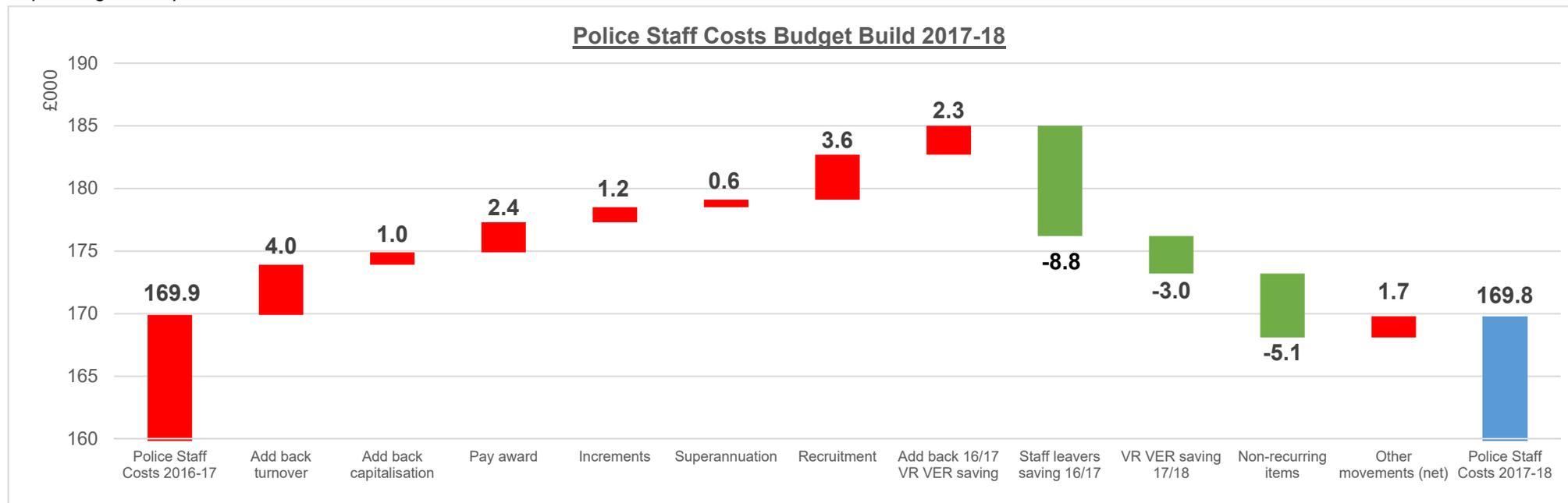
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7. Police Staff Costs Budget

| | 2016/17 Budget £m | 2017/18 Budget £m |
|--|-------------------|-------------------|
| Police Staff Pay | 155.8 | 156.6 |
| VR VER Saving (200 FTE reduction in 17/18)** | -2.3 | -3.0 |
| Overtime | 2.3 | 2.4 |
| Allowances | 13.3 | 13.0 |
| Special Constables | 0.8 | 0.8 |
| Total | 169.9 | 169.8 |



** pending development of business cases and union consultation



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Movement in Police Staff Budget from 2016/17 to 2017/18

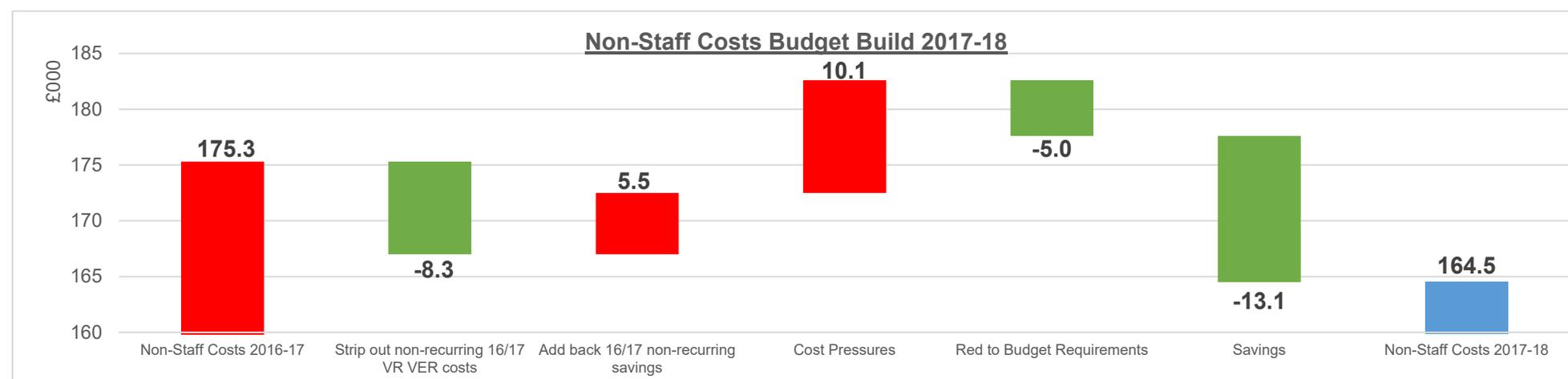
| | Movement £m | Description |
|---------------------------------|------------------------|--|
| Add back 2016/17 vacancy factor | 4.0 | Shown separately as a non-recurring item in 2017/18 (in £5.1m below). |
| Add back capitalisation | 1.0 | Shown separately as a non-recurring item in 2017/18 (in £5.1m below). |
| Pay award | 2.4 | Calculated in line with the public sector pay policy. |
| Increments | 1.2 | Cost of increments, as per pay model. |
| Superannuation | 0.6 | Increase in superannuation contributions. |
| Recruitment | 3.6 | Cost of 162 FTE (assuming posts filled at the end of quarter one). |
| Add back 16/17 VR VER saving | 2.3 | 2017/18 savings of £3m shown separately |
| Staff leavers saving 16/17 | -8.8 | Full year effect of all staff leavers in 2016/17 (from pay model) |
| VR VER saving | -3.0 | Staff leavers assumed in second half of 17/18 (subject to review, business case development and union consultation). |
| Less non-recurring items | -5.1 | As per section 10 of the report at page 15. |
| Other movements (net) | 1.7 | |
| Total | -0.1 | |

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8. Non-Pay Budget

| | 2016/17 Budget £m | 2017/18 Budget £m | Movt £m | Explanation of Movement |
|----------------------|-------------------------|-------------------------|--------------|--|
| Other Employee Costs | 9.7 | 1.4 | -8.3 | Reduction relates to cost of VR/VER packages in 2016/17 not in 17/18 revenue budget. |
| Premises Costs | 63.3 | 59.7 | -3.6 | 2017/18 cost reductions in relation to lease dilapidations, savings arising from the implementation of the Estates Strategy and savings in relation to utilities (usage & price) |
| Transport Costs | 22.0 | 23.5 | 1.5 | Increase relates to fuel price increase and cost of accident damage. |
| Supplies & Services | 35.2 | 38.5 | 3.3 | A number of one-off savings were made in 16/17 (in relation to the unidentified savings target) which have been added back in 17/18. |
| ICT Costs | 19.4 | 19.9 | 0.5 | Most of the increase relates to greater costs re Airwave. |
| Admin Costs | 6.1 | 6.2 | 0.1 | No significant movements. |
| Third Party Payments | 12.6 | 16.5 | 3.9 | Increase of £4m relates to the new Apprenticeship Levy applicable in 17/18. |
| Capital Financing | 8.0 | 4.8 | -3.2 | Reduced loan finance charges arising from a fluctuation in principal debt repayments in 17/18. |
| Efficiency Target | 0 | -5.0 | -5.0 | Efficiency target of 2.25% (£3.8m) applied to operational non pay budgets and a central efficiency target of £1.2m. |
| Other Costs | -1.0 | -1.0 | 0.0 | |
| Total | 175.3 | 164.5 | -10.8 | |



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Movement in Non-Pay Budget from 2016/17 to 2017/18

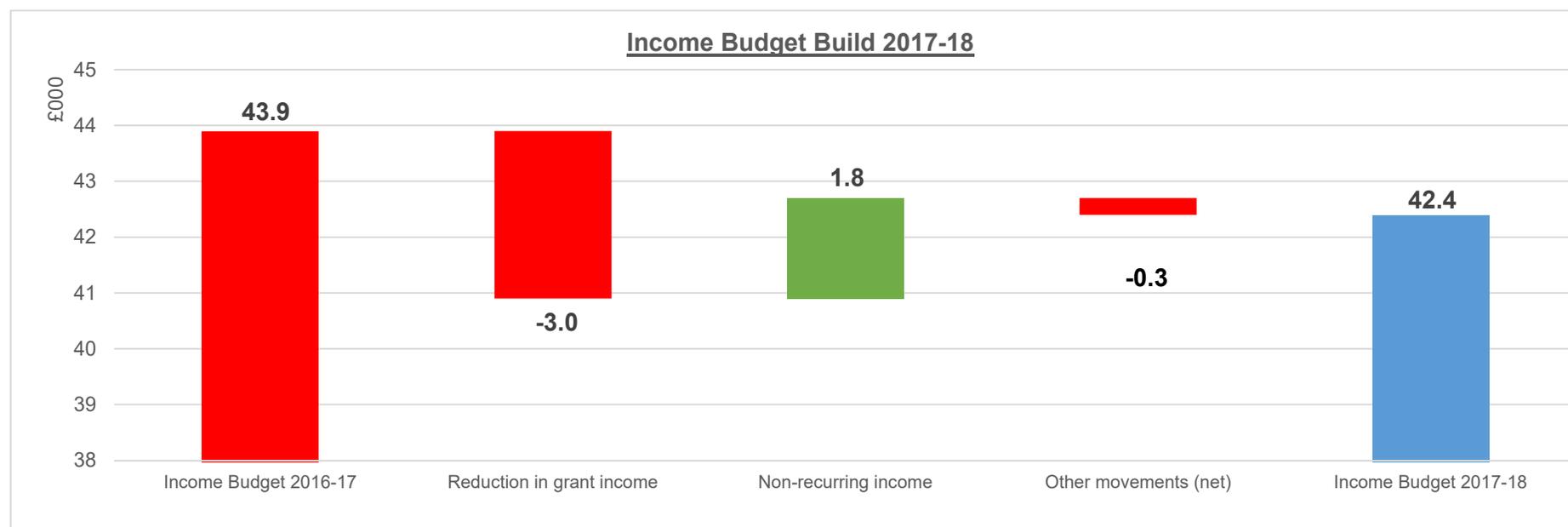
| | Movement £m | Movement £m | Description |
|---|----------------|----------------|--|
| Non-Recurring Items from 2016/17 | | | |
| VR/VER Costs | -8.3 | | VR/VER costs to be accounted for separately through Reform in 17/18 |
| One-off Savings | 5.5 | | |
| Total Net Non-Recurring Costs (A) | | -2.8 | |
| Apprenticeship levy | 4.0 | | New statutory employers charge from 1 April 2017. |
| Home Office costs | 1.5 | | Project Apollo and other increased contributions. |
| Vehicle fuel | 0.8 | | Increasing price of fuel. |
| Accident damage | 0.7 | | Reflects an unbudgeted pressure in 2016/17. |
| Airwave | 0.6 | | Cost of additional batteries. |
| Other costs | 1.3 | | |
| <i>Sub-total of column 1</i> | | 8.9 | Cost pressures identified at January Finance & Investment Committee |
| Additional cost pressures | | 1.2 | Further costs pressures following DCC/DCO review. |
| Costs pressures (B) | | 10.1 | |
| Loan charges & finance lease charges | -3.2 | | Loan charge (£2.7m) and finance lease interest (£0.5m) |
| Lease dilapidations | -0.9 | | Delay in the disposal of leased properties. |
| PFI charges | -0.9 | | Accounting adjustment |
| Reductions to Budget Requirement (C) | | -5.0 | |
| Estates Strategy savings | -1.3 | | Revenue savings in line with the Estates Strategy |
| Utilities | -1.2 | | Reduction in the price and usage. |
| Telecoms saving | -1.0 | | Review and rationalisation of service. |
| Clothing & uniform | -0.8 | | Efficient use of the uniform budget. |
| Efficiency Target | -5.0 | | DCC 2.25 % efficiency target (£3.8m) and central efficiency target (£1.2m) |
| Other Savings | -3.8 | | Total other savings / reduced spend within the base. |
| Savings (D) | | -13.1 | |
| Total Net Reduction (A+B+C+D) | | -10.8 | |

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9. Income Budget

| | 2016/17 Budget £m | 2017/18 Budget £m |
|----------------|-------------------------|-------------------------|
| Grant Funding | 15.0 | 12.0 |
| Fees & Charges | 27.6 | 27.9 |
| Other Income | 1.3 | 2.5 |
| Total | 43.9 | 42.4 |



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Movement in Income Budget from 2016/17 to 2017/18

| | Movement £m | Description |
|---------------------------|------------------------|---|
| Reduction in grant income | -3.0 | Largely relates to cessation of GCC funding for 50 Officers and other non-material movements. |
| Add non-recurring income | 1.8 | One-off income stream (see page 15). |
| Other movements (net) | -0.3 | Net fall in income largely due to reduction in abnormal load escorts and events partially offset by increased office and staff secondments. |
| Total | -1.5 | |

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10. Non-recurring Items

10.1 The 2017/18 budget contains £0.4m of non-recurring items (net). There are one-off savings of £6.9m which are offset by one-off costs of £6.5m and these are detailed in the table below.

10.2 The table below sets out the non-recurring items that are built into the revenue budget for 2017/18.

| | £m | Description |
|--|--------------|---|
| <u>Non-Recurring Costs</u> | | |
| C3 Salaries | 2.5 | Transitional staff costs required to support the change process. |
| Officer Costs | 4.0 | Estimated potential back-dated liability re allowance payments |
| Total Non-recurring Costs | 6.5 | |
| <u>Non-Recurring Savings</u> | | |
| Vacancy factor | (4.0) | Police staff vacancy factor. |
| Capitalisation of staff salaries | (1.1) | Capitalisation of the cost of employee working on capital projects. |
| Sub-total – Non recurring staff costs | (5.1) | |
| Income - compensation receipt | (1.8) | VAT element of compensation payment |
| Total Non-recurring Savings | (6.9) | |
| | | |
| Net Non-Recurring Items | (0.4) | |

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11. SPA Corporate & Forensics Budget

| | 2016/17 Budget £m | 2017/18 Budget £m |
|---------------|-------------------------|-------------------------|
| SPA Corporate | 4.0 | 4.0 |
| Forensics | 27.8 | 27.8 |

| | Movement £m | Description |
|-----------------------|----------------|----------------------------|
| Pay cost pressures | 0.7 | Increments and pay awards. |
| Vacancy factor saving | -0.6 | Vacancy factor saving |
| Efficiency Saving | -0.1 | Targeted efficiency saving |
| Total | 0.0 | |

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12. Funding

- 12.1 On 15 December 2016, the Cabinet Secretary for Finance & the Constitution presented the Scottish Government's Draft Budget for 2017/18.
- 12.2 This budget allocation provides additional revenue funding in line with Scottish Government's commitment to providing real terms protection for the SPA budget (for each year of the current Scottish parliamentary term).
- 12.3 In addition to this, a further £25m of funding was announced by the Scottish Government on 2 February 2017 bringing the total Reform budget available to the SPA to £59.5m. This is being provided through the Police Change and Transformation Fund (Reform) to support 'the delivery of a police service capable of meeting the changing demands of crime and society over the next ten years'.
- 12.4 The SPA will be agreeing a budget with an operating deficit of £47.2m in 2017/18. All measures possible will be taken throughout the year to minimise this deficit. The Scottish Government is aware of this position, and that the SPA is working to a three year plan to deliver financial sustainability as part of the Policing 2026 work. As a result, the Scottish Government will provide appropriate wording in the budget allocation letter, supporting efforts to minimise costs pressures and manage the gap down as far as possible whilst assisting in mitigating wholly unavoidable costs through management of budgets across Scottish Government.
- 12.5 Table one highlights the change in funding between current and next year.

| Scottish Government Funding | 2016/17 | 2017/18 | Movement | |
|-----------------------------|----------------|----------------|--------------|-------------|
| | £m | £m | £m | % |
| Revenue | 1,003.4 | 1,022.4 | +19.0 | 1.9% |
| Non Cash Revenue | 50.0 | 50.0 | 0 | 0% |
| Capital | 16.2 | 20.0 | +3.8 | 23.5% |
| Total | 1,069.6 | 1,092.4 | +22.8 | 2.1% |
| Reform | 53.8 | 59.5 | +5.7 | 10.6% |
| Total Funding | 1,123.4 | 1,151.9 | +28.5 | 2.5% |

- 12.6 Revenue funding represents budget for current expenditure such as staff costs and goods and services. As previously outlined the SPA is expecting an operating deficit in 2017/18. The Scottish Government are fully aware of this situation and is committed to supporting the SPA to manage this position throughout the year.
- 12.7 The revenue cost of employers pensions contributions for Police Officers are not included in the SPA's Grant in Aid funding. This budget is held and managed by the Scottish Government separately. The SPA is required to meet the cost of Officers ill health retirement and injury pensions only. The administration of Police Officers pensions is carried out by the Scottish Public Pensions Agency (SPPA).

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- 12.8 Non-cash revenue funding represents ring-fenced funding for non-cash accounting charges which includes: depreciation, impairments and provisions. If the costs are greater than the budget allocated then the shortfall has to be met from the revenue cash funding. However, if they are lower than the budget set, any surplus cannot be transferred to another budget line.
- 12.9 Capital funding represents budget for new investment. The SPA is also permitted, subject to Scottish Government approval, to use disposal proceeds to reinvest in further capital expenditure.
- 12.10 The reform funding is available to meet the costs of irrecoverable VAT and support a new phase of change and transformation for policing.
- 12.11 In addition to the above funding the SPA also has specific funding for expenditure outside DEL (ODEL). This is specific funding for loan charges on borrowing by Local Authorities pre 2004/05 and Scottish Government has confirmed this funding to be £5.404m for 2017/18.

NOT PROTECTIVELY MARKED

13. Summary of the Capital Plan

- 13.1 The capital plan has been developed from the bottom up with business areas initially preparing business cases for capital spend. The total capital bids amounted to £42.4m in comparison to the £30m of available capital grant funding plus capital receipts. There will be an allocation from Reform in the sum of £12.4m (£6.4m to support irrecoverable VAT and £6m for transformational capital investment).
- 13.2 The capital business cases were evaluated by finance using a scoring mechanism to rank them in terms of policing priorities.
- 13.3 The following criteria was considered a requirement for capital bids:
- Progresses capital projects currently on-going within the organisation (which are consistent with the future strategy);
 - Delivers savings in 2017/18 or future years; or
 - Links to the progressions of the 2026 strategy.
- 13.4 The capital bids were also categorised as:
- Category one – statutory;
 - Category two – stay in business;
 - Category three – transformational / links to the Policing 2026 strategy;
 - Category four – business as usual improvements.
- 13.5 All bids were scrutinised by the Police Scotland Corporate Finance and Investment Board which has prioritised projects to be completed within the available funding.
- 13.6 It should be highlighted that some business cases are currently under-developed. Additional resources have been brought in to assist with the development of robust business cases to ensure that the capital plan delivers Best Value. In addition, we also have a prioritised list of other capital projects which could be introduced if there is slippage in the approved projects.
- 13.7 A summary of the capital programme is shown below.

| | 2016/17 £m | 2017/18 £m |
|---|---------------|---------------|
| Police Scotland capital expenditure | 25.7 | 41.5* |
| SPA / Forensics capital expenditure | 0.7 | 0.9 |
| Total Capital Expenditure | 26.4 | 42.4 |
| Capital Funding | -16.2 | -20.0 |
| Capital Receipts | -5.8 | -10.0 |
| VAT Funding (from Reform) | -4.4 | -6.4 |
| Capital Investment from Reform to Support Transformational Change | 0.0 | -6.0 |
| Total Funding | -26.4 | -42.4 |

*Further analysis is shown on the table in the next page.

13.8 The themes of planned Police Scotland capital spend in 2017/18 is shown in the table below.

| POLICE SCOTLAND CAPITAL EXPENDITURE PLAN | Total £m |
|--|---------------------|
| ICT | 16.0 |
| Estates | 5.9 |
| Fleet | 5.5 |
| Total Business as Usual Capital Expenditure | 27.4 |
| Transformational Capital Spend: | 14.1 |
| C3 Technology, Cybercrime, Cyber Defence, Fleet Utilisation Technology | |
| Total Applied | 41.5 |

14. Reform Budget 2017/18

- 14.1 The Scottish Government has provided additional Police Reform / Change funding to be used to meet the costs of irrecoverable VAT and to continue to support a new phase of change and transformation for policing.
- 14.2 To support change and transformation Police Scotland has considered bids from business areas for investment aligned to the Policing 2026 programme that will deliver transformational change to the service.
- 14.3 Business cases will be required to be completed to justify the use of reform funding which will be considered internally by Police Scotland for approval and will ultimately also require the approval of the SPA and then Scottish Government prior to the release of funding.
- 14.4 The use of this funding will be separately monitored as a distinct funding source from the revenue and capital budgets. This will also be reported separately in the financial monitoring reports.
- 14.5 A summary of the Reform budget is shown below.

| | CAPITAL | REVENUE | Total £m |
|---|-------------|-------------|-------------|
| Initial allocation | | | 34.5 |
| Additional funding announced (02/02/17) | | | 25.0 |
| Funding Available to the SPA | | | 59.5 |
| Irrecoverable VAT (revenue) | 6.4 | 22.0 | 28.4 |
| Corporate services transformation | | 10.0 | 10.0 |
| Operational policing transformation | | 6.2 | 6.2 |
| Other Transformational Expenditure | 6.0 | 8.9 | 14.9 |
| Total Applied | 12.4 | 47.1 | 59.5 |