

Meeting	SPA Board
Date	29 March 2018
Location	John McIntyre Centre, Pollock Halls, University of Edinburgh
Title of Paper	2018/19 Draft Budget
Item Number	6.2 (b)
Reference Number	REP-B.03.20180329
Presented By	Chief Financial Officer, James Gray
Recommendation to Members	For Approval
Appendix Attached	Yes: Appendix A: 2018/19 Draft Budget Report

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 financial year 2018/19 and proposes how these resources should be allocated.

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

1. BACKGROUND

- 1.1 This report presents the latest draft of the Scottish Police Authority 2018/19 Budget.
- 1.2 The detailed 2018/19 Budget Report is attached to this report.

2. FURTHER DETAIL ON REPORT TOPIC

- 2.1 This ambitious budget provides the resources required to support the delivery of the Annual Policing Plan and the Corporate Services Plan, as well as providing the capital and reform investment necessary to drive forward with the Policing 2026 Three Year Implementation Plan.
- 2.2 It is encouraging to see that the transformation work undertaken in 2017/18 is already beginning to flow through into cashable savings in this 2018/19 budget, which has contributed to the reduction in the budgeted deficit.
- 2.3 The operating deficit in the 2018/19 budget of £35.6m has reduced from the £47.2m deficit included within the 2017/18 budget, and is in line with the deficit reduction trajectory set out in the 3 Year Financial Plan. Therefore, this budget continues to honour the commitment made to Scottish Government in relation to eliminating the budget deficit by 2020/21.
- 2.4 The key highlights in the revenue budget include:
 - Sufficient funding set aside to provide Police Officers and Staff with a pay award in line with Scottish Government's updated Public Sector Pay Policy;
 - Budgetary provision to take forward the Staff Pay and Rewards Modernisation Project, which seeks to harmonise staff terms and conditions in time for the next financial year (2019/20);
 - A continued commitment to no compulsory redundancies;
 - An additional 116 new permanent posts built in to the revenue budget that had originally been funded from the non-recurring reform budget;
 - The ability to reduce Police Officer numbers by 100, as a result of freeing up 100 officers from the back office during 2017/18, meaning Scotland will continue to receive the same level of front line policing as it has for the past 10 years, but at a lower cost to the taxpayer;
 - Additional funding to Forensics Services to clear an historic backlog of cases that will secure better criminal justice outcomes;
 - Additional funding for SPA Corporate to provide the Chair and Chief Officer with the resources necessary to ensure that it is able to effectively carry out its scrutiny and accountability functions over Police Scotland; and
 - Once one-off costs are excluded from the budget, the underlying operating deficit is £28.2m, which is £7.4m ahead of the Three Year Financial Plan.

- 2.5 The key investment highlights include:
- £15.2m of investment in our ICT infrastructure that will create a single national network and ability to log on from any location in the country which will significantly improve the ICT experience for our people;
 - £2.9m investment in specialist policing equipment to keep our Officers safe;
 - £5m investment in fleet to purchase new vehicles;
 - £4.4m investment in our estate to ensure that our people continue to work in a safe environment;
 - £5m for Digitally Enabled Policing to develop the integrated national systems required to allow our Officers to access data efficiently and effectively;
 - £1.4m as an initial investment for mobility, which will eventually see every Officer in Scotland provided with a mobile device so that they can remotely access systems and data;
 - £12.7m for temporary specialist staff to deliver the transformation of the Police Service;
 - £7.7m for specialist support from professional services firms;
 - £2.1m for Voluntary Redundancy / Voluntary Early Retirement packages to support the re-design of services; and
 - £2.0m for investment in custody and productions, providing a modernised custody model and an efficient and effective productions storage model.

3. FINANCIAL IMPLICATIONS

- 3.1 The financial implications for the financial year 2018/19 are set out in this report.

4. PERSONNEL IMPLICATIONS

- 4.1 There are no direct personnel implications associated with this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications associated with this report.

6. REPUTATIONAL IMPLICATIONS

- 6.1 There are no direct reputational implications associated with this report.

7. SOCIAL IMPLICATIONS

- 7.1 There are no direct social implications associated with this report.

8. COMMUNITY IMPACT

8.1 There are no direct community impact implications associated with this report.

9. EQUALITIES IMPLICATIONS

9.1 There are no direct equalities implications associated with this report.

10 ENVIRONMENTAL IMPLICATIONS

10.1 There are no direct environmental implications associated with this report.

RECOMMENDATION:

Members are asked to:

- Approve the Scottish Police Authority Draft Budget for 2018/19.

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Presented to SPA Board on
29 March 2018

SCOTTISH POLICE
AUTHORITY



Scottish Police Authority Draft Budget 2018/19

**SPA Board
29 March 2018**

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1. Executive Summary

- 1.1 This ambitious budget provides the resources required to support the delivery of the Annual Policing Plan and the Corporate Services Plan, as well as providing the capital and reform investment necessary to drive forward with the Policing 2026 Three Year Implementation Plan.
- 1.2 It is encouraging to see that the transformation work undertaken in 2017/18 is already beginning to flow through into cashable savings in this 2018/19 budget, which has contributed to the reduction in the budgeted deficit.

Deficit Reduction

- 1.3 The operating deficit in the 2018/19 budget of £35.6m has reduced from the £47.2m deficit included within the 2017/18 budget, and is in line with the deficit reduction trajectory set out in the Three Year Financial Plan. Therefore, this budget continues to honour the commitment made to Scottish Government in relation to eliminating the budget deficit by 2020/21.
- 1.4 Furthermore, the investment set out in this budget will enable the transformation required to secure the necessary savings which will reduce the operating deficit to £15.9m in 2019/20.

Revenue Budget

- 1.5 The key highlights in the revenue budget include:
 - Sufficient funding set aside to provide Police Officers and Staff with a pay award in line with Scottish Government's updated Public Sector Pay Policy;
 - Budgetary provision to take forward the Staff Pay and Rewards Modernisation Project, which seeks to harmonise staff terms and conditions in time for the next financial year (2019/20);
 - A continued commitment to no compulsory redundancies;
 - An additional 116 new permanent posts built in to the revenue budget that had originally been funded from the non-recurring reform budget;
 - The ability to reduce Police Officer numbers by 100, as a result of freeing up 100 Officers from the back office during 2017/18, meaning Scotland will continue to receive the same level of front line policing as it has for the past 10 years, but at a lower cost to the taxpayer;
 - Additional funding to Forensics Services to clear an historic backlog of cases that will secure better criminal justice outcomes;
 - Additional funding for SPA Corporate to provide the Chair and Chief Officer with the resources necessary to ensure that it is able to effectively carry out its scrutiny and accountability functions over Police Scotland; and
 - Once one-off costs are excluded from the budget, the underlying operating deficit is £28.2m, which is £7.4m ahead of the Three Year Financial Plan.

Capital & Reform Budget

1.6 The key investment highlights include:

- £15.2m of investment in our ICT infrastructure that will create a single national network and ability to logon from any location in the country which will significantly improve the ICT experience for our people;
- £2.9m investment in specialist policing equipment to keep our Officers safe;
- £5m investment in fleet to purchase new vehicles;
- £4.4m investment in our estate to ensure that our people continue to work in a safe environment;
- £5m for Digitally Enabled Policing to develop the integrated national systems required to allow our officers to access data efficiently and effectively;
- £1.4m as an initial investment for mobility, which will eventually see every Officer in Scotland provided with a mobile device so that they can remotely access systems and data;
- £12.7m for temporary specialist staff to deliver the transformation of the police service;
- £7.7m for specialist support from professional services firms;
- £2.1m for voluntary redundancy / voluntary early retirement (VR/VER) packages to support the re-design of services; and
- £2.0m for investment in custody and productions, providing a modernised custody model and an efficient and effective productions storage model.

2. Introduction to the 2018/19 Budget Report

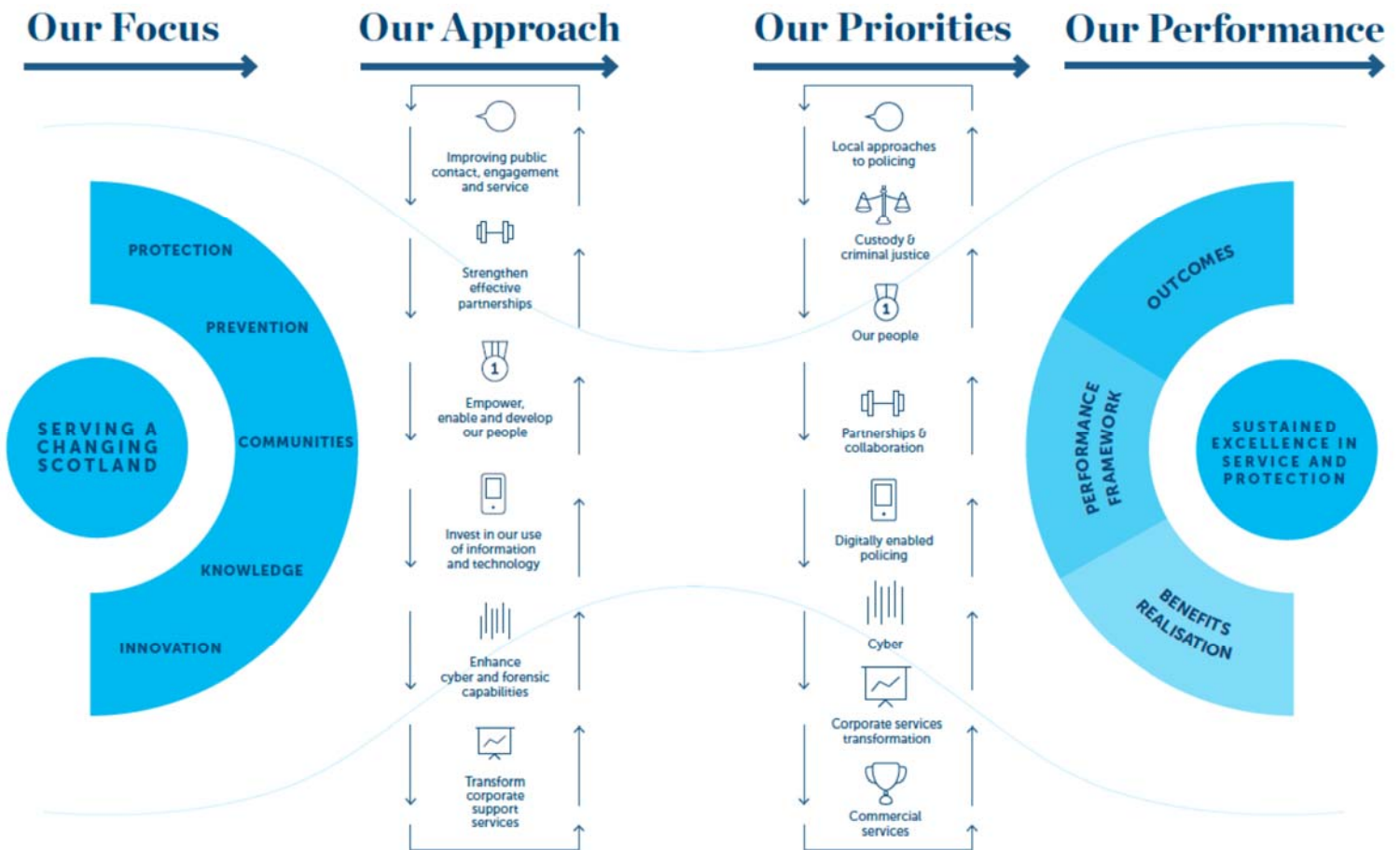
- 2.1 The 2018/19 budget sets out the spending plans for the SPA and Police Scotland for the next financial year. These have been developed in line with the Policing 2026 Three Year Implementation Plan and the financial parameters included in the Three Year Financial Plan.
- 2.2 The most recent 2017/18 budget forecast indicates that the SPA and Police Scotland will achieve its deficit reduction target of £47.2m on a recurring basis in the current year. This budget represents the next part of that journey, with a reduced operating deficit of £35.6m in line with the Three Year Financial Plan which was approved by the SPA Board in September 2017.
- 2.3 Scottish Government will provide the SPA with £22m of recurring revenue funding in addition to the level originally anticipated for financial year 2018/19. This has allowed the SPA and Police Scotland to fully fund the cost of the increased Public Sector Pay Policy whilst still meeting the deficit reduction target of £35.6m.
- 2.4 The service also receives Scottish Government funding for capital and reform investment (the latter also known as 'Police Change & Transformation' funding).
- 2.5 A significant amount of work has gone into strengthening financial governance and management around capital investment and prioritisation through the development of an Investment Governance Framework and a new Capital Planning policy and process. This has resulted in a prioritised Capital Plan that provides greater confidence in terms of delivery and for which the benefits are better understood.
- 2.6 The reform budget set out in this report is designed to support the delivery of the Policing 2026 Three Year Implementation Plan. This budget is based on prioritised demand and supported by underlying business cases. During 2018/19, each project included in the change portfolio will have its own budget which will be monitored each month. This will ensure that any reform spend slippage is quickly identified so that it can be re-prioritised within the portfolio.
- 2.7 Collectively, the 2018/19 budget consolidates the progress made to date through the reduction in the operating deficit. It also sets out the investments required to eliminate the deficit by the beginning of 2020/21 and enhance operational policing through funding for key Policing 2026 projects such as Digitally Enabled Policing and Mobility.

3. Approach to the Development of the 2018/19 Budget

- 3.1 The 2018/19 financial year is the second year of a three year plan to bring the SPA's budget into balance on a recurring basis.
- 3.2 Last year a zero based approach was used for the first time for budgeting all staff costs and this has been further refined for 2018/19. 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 a granular basis. As a further development, following improvements in systems and SPA member feedback, pay costs will be phased monthly on a full accruals basis in 2018/19.
- 3.3 Finance business partners have worked closely with all budget holders to identify cost pressures and savings. These budget movements have been formally agreed and signed off by budget holders throughout the organisation. The purpose of this exercise has been 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.
- 3.4 The overall budget approval process has involved a series of budget review meetings with each Deputy Chief Constable (DCC) and Deputy Chief Officer (DCO) to assess requirements and priorities. This has been followed by the formal internal governance at the Corporate Finance and Investment Board and Senior Leadership Board. The Director of Forensic Services and the Accountable Officer have reviewed and approved the estimated budget requirement for Forensics and SPA Corporate respectively.
- 3.5 Since the creation of the SPA, the service has been unable to recover the cost of VAT on expenditure and this cost has been met from the Police Reform budget. As part of the UK Government's budgeting process, an amendment to Section 33 of the VAT Act has been proposed that will allow the SPA to recover VAT. All budgets have been adjusted to remove the cost of recoverable VAT and there is no longer a requirement to fund this cost from the police reform budget.
- 3.6 The spending of both capital and reform funding will be closely scrutinised and, as such, any proposed reform 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 cases will be submitted to Scottish Government for review and funding will be drawn down once approval has been granted. The capital budget and, where possible, the reform budget, has been phased so that the full year spend will have been delivered by 31 December 2018.
- 3.7 The financial protocols in place for the management and monitoring of budgets in the financial year are set out in the Financial Regulations, the revised Scheme of Financial Delegation and the Devolved Budgeting Guidance.

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. This budget will set out clearly prioritised investment in programmes which will support the delivery of the Policing 2026 strategy.
- 4.2 Police Scotland's focus will be on improving the effect of 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 is being delivered through rolling three year implementation plans. The Implementation Plan 2017-2020, highlights our priorities and delivery timeline for this period. Finance has been working closely with the Policing 2026 team to ensure that capital and reform spend is aligned to the Policing 2026 priorities and plans. This is also reflected in the three year financial plan.



5. Summary of the 2018/19 Revenue Budget

5.1 The table below sets out the overall proposed movement in the Police Scotland, Forensics and SPA Corporate budgets between 2017/18 and 2018/19. As VAT was not a recoverable cost in 2017/18, the figures for 2018/19 include the indicative VAT cost in order to show the true underlying movement in budget between years.

	2017/18 Budget (incl VAT) £m	2018/19 Budget (incl VAT) £m	Movement £m	Movement %
Police Scotland	1,059.8	1,085.8	26.0	2.5%
Forensics	27.8	31.4	3.6	12.9%
SPA Corporate	4.0	4.4	0.4	10.0%
Overall	1,091.6	1,121.6	30.0	2.7%

5.2 The table below sets out a summary of the 2017/18 revenue budget and the proposed 2018/19 revenue budget.

	Further Detail at Page	2017/18 Budget (incl VAT) £m	2018/19 Budget (incl VAT) £m	2018/19 Budget (excl VAT) £m
Police Scotland	Police Officer Costs	8 & 9	771.2	786.6
	Police Staff Costs	10 & 11	169.3	177.9
	Non-pay Costs	12 & 13	162.0	141.8
	Income	14 & 15	-42.7	-40.6
	Net Expenditure		1,059.8	1,085.8
SPA	Forensics	16 & 17	27.8	30.6
	SPA Corporate	16 & 17	4.0	4.1
	Net Expenditure		31.8	34.7
Total		1,091.6	1,121.6	1,100.4
Less: Reform VAT allocation		-22.0	n/a	n/a
Total Revenue Budget		1,069.6	1,121.6	1,100.4
Funded by:				
Grant-in-Aid	18	1,022.4		1,064.8
Operating Deficit*		47.2		35.6
Total Funding		1,069.6		1,100.4

* Non-recurring costs within the deficit total £7.4m meaning the underlying recurring deficit is £28.2m.

5.3 In the table above, all savings proposals are built into the budget lines to which they specifically relate. The operating budget for 2018/19 is inclusive of non-recurring items and so the budgeted net expenditure in 2018/19 is £1,100.4m resulting in an operating deficit of £35.6m.

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There are non-recurring costs of £7.4m within the base budget. The one-off nature of these means that the underlying recurring operating deficit is £28.2m.

- 5.4 The revenue budget includes a number of budget assumptions. There will be financial consequences if any of the key budget assumption proves to be inaccurate. These budget assumptions are set out below and have been allocated to an accountable owner. These will be monitored throughout the financial year.

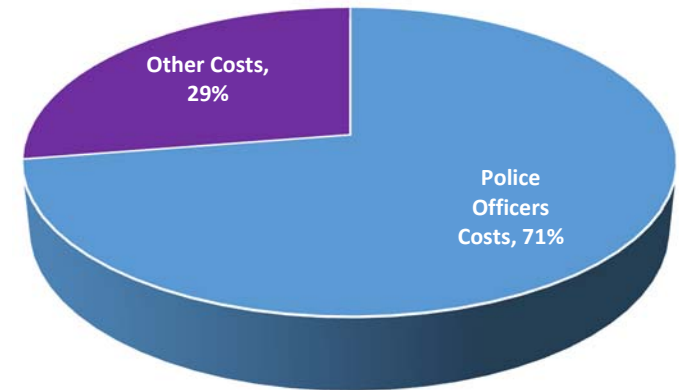
Assumption	Owner	Budget Assumption Risk Rating
Budgeting for 17,134 Police Officers (with no reduction to front line policing due to a release of officers from back office roles).	DCC Designate	Low
A continued commitment to no compulsory redundancies.	SPA	Low
A pay award for Police Officers in line with the public sector pay policy.	Director of P&D	Low
A pay award for Police Staff for in line with the public sector pay policy.	Director of P&D	Low
Payment of pay progression (increments).	N/A	Low
No budgeted savings from VR/VER.	Chief Financial Officer	Low
Application of a vacancy factor saving to the Police Staff budget - increased by £2.5m on the prior year budgeted level of £4m (giving a total turnover of £6.5m) which reflects the historic turnover within each Division / Department.	Chief Financial Officer	Low
A further saving through vacancy management (£3.2m). This brings the total vacancy factor to a level consistent with vacancies in the budget base as at 31 December 2017.	Director of P&D	Medium
Maternity, paternity and sick pay costs consistent with the previous year.	Chief Financial Officer	Low
No general inflationary uplifts.	Chief Financial Officer	Medium
VAT on expenditure is fully recoverable in line with section 33 of the VAT Act 1994.	Chief Financial Officer	Low
The continuation of income received in the previous year by way of grant funding from local authorities and other partner organisations (unless formal notification has been received to advise to the contrary).	N/A	Low
Charges and fees increased to take account of cost increases (primarily pay award) as appropriate	N/A	Low
Non-pay savings incorporated into the budget base relating to Commercial Excellence, Telematics and property disposals.	Head of Commercial Services	Medium

Overall Revenue Budget 2018/19 Deliverability Risk	Low
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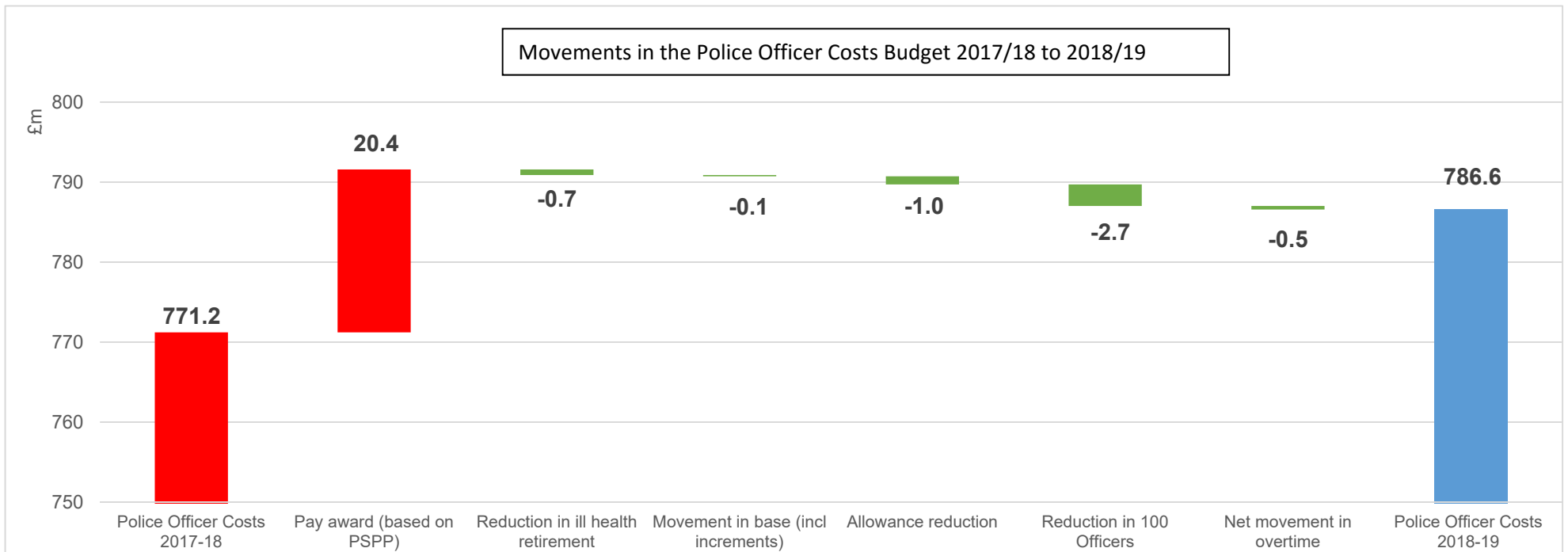
6 Police Officer Costs Budget

	2017/18 Budget £m	2018/19 Budget £m
Police Officer Pay	716.1	733.1
Overtime	15.5	15.1
Allowances	19.0	18.5
Injury Benefit / Ill health pension	20.6	19.9
Total	771.2	786.6

Police Scotland Revenue Budget 2018/19



Movements in the Police Officer Costs Budget 2017/18 to 2018/19



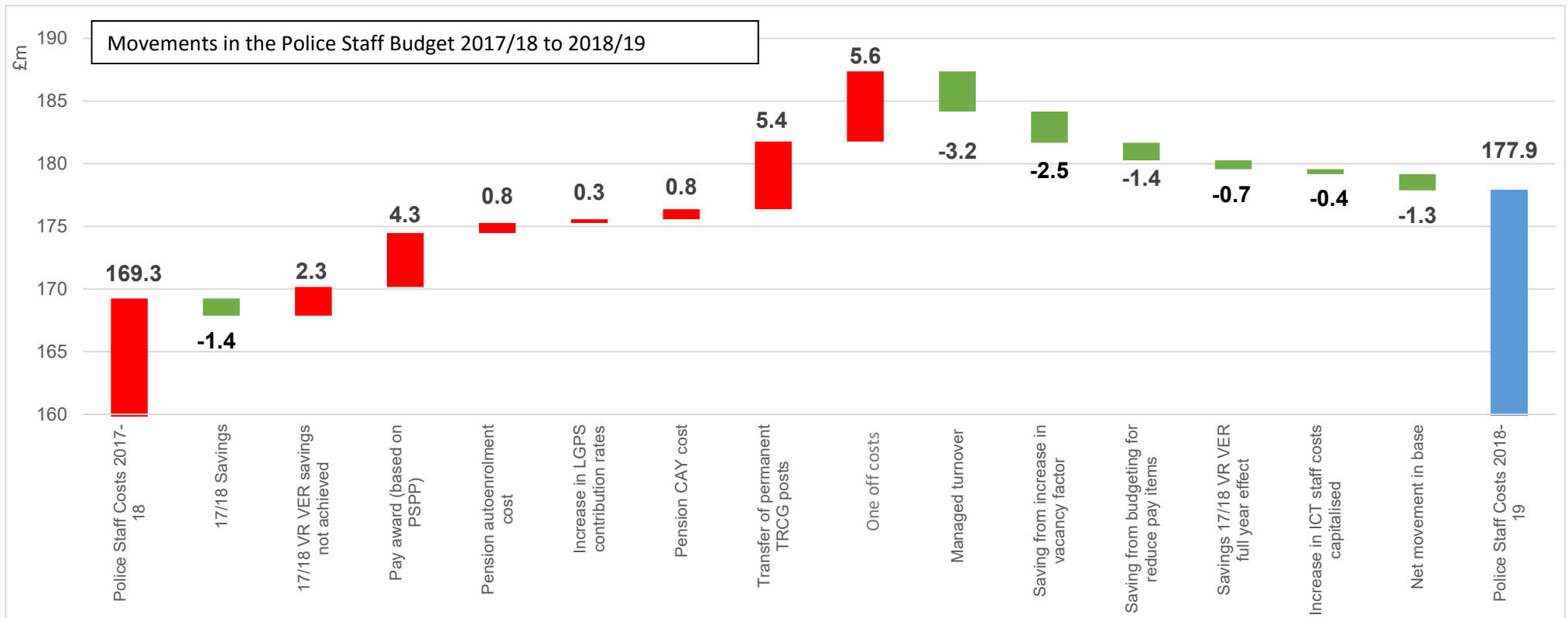
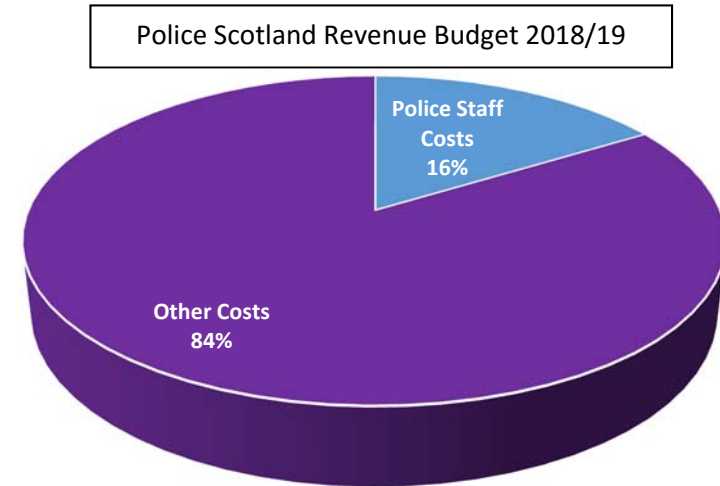
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Movement in Police Officers Budget from 2017/18 to 2018/19

	Movement £m	Description
Pay award	20.4	Cost of pay award in line with the Public Sector Pay Policy.
Ill health & injury	-0.7	Based on forecast underspend in 2017/18.
Movement in base	-0.1	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.
Allowance reduction	-1.0	Reduction in rent and housing allowance as Officers retire and new probationers do not receive this allowance.
Reduction in officer numbers	-2.7	Reduction in 100 Officers from 1 April (based on probationer pay costs) as a result of productivity gains from the Policing 2026 strategy. There is no reduction to the number of front line Officers.
Net reduction in overtime	-0.5	Net overall reduction in overtime.
Total	15.4	

7 Police Staff Costs Budget

	2017/18 Budget £m	2018/19 Budget £m
Police Staff Pay	154.6	161.5
VR VER Saving	-2.1	0.0
Overtime	2.2	2.0
Allowances	13.8	13.6
Special Constables	0.8	0.8
Total	169.3	177.9

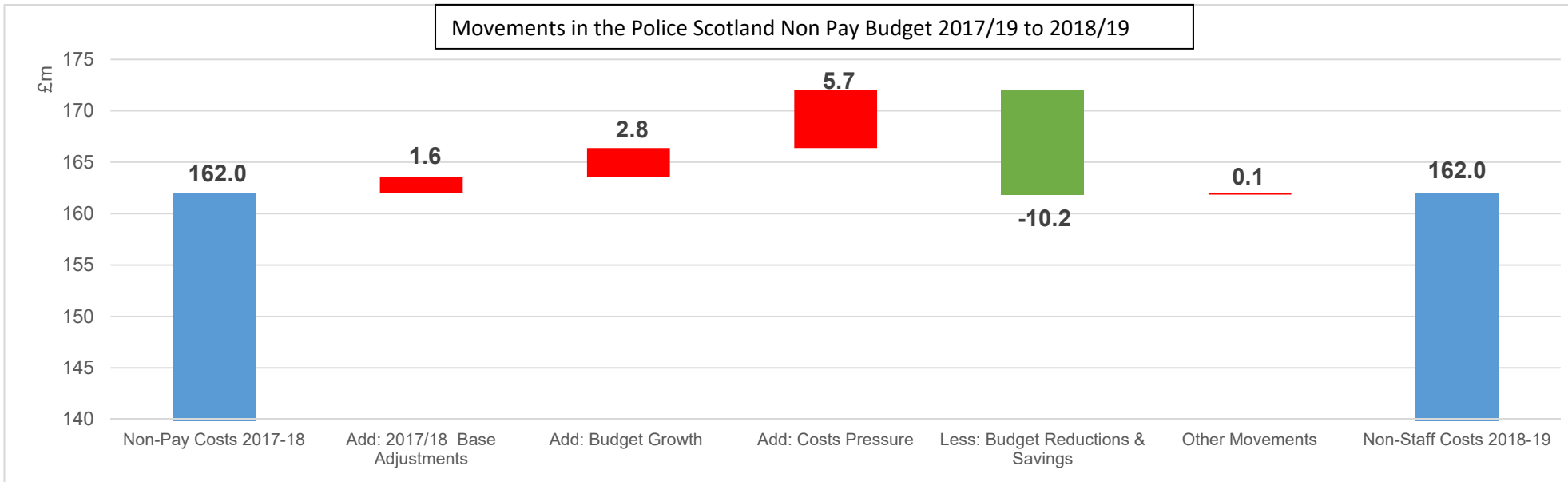


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	Movement £m	Description
17/18 Staff Savings	-1.4	Savings from C3 restructuring and reductions in staff budgets.
17/18 VR VER saving not achieved	2.3	2017/18 VR VER saving target saving (£3m) not achieved in full in year.
Adjustment to 17/18 Base	0.9	
<u>Movements in 2018/19</u>		
Pay award	4.3	Cost of pay award in line with the Public Sector Pay Policy.
Transfer of permanent TRCG posts	5.4	Cost of permanent TRCG posts (previously reform funded).
Non recurring costs	5.6	One-off costs in 2018/19.
Superannuation	1.1	Impact of auto-enrolment (£0.8m) and increase in scheme contributions (£0.3m).
Pension CAY	0.8	Cost of ongoing compensatory added years.
Increase in Turnover	-2.5	Based on actual levels of turnover experience across previous two financial years.
Managed turnover	-3.2	Managed turnover saving.
Reduced pay costs	-1.4	Reduced budget in respect of staff on half or nil pay based on historic trends.
VR/VER 2017/18	-0.7	Full year impact of releases in 18/19.
ICT staff capitalisation	-0.4	Increase in the level of staff capitalisation to projects within the capital programme.
Other movements (net)	-1.3	
Total Movement	8.6	

8 Non-Pay Budget

	2017/18 Budget (incl VAT) £m	2018/19 Budget (incl VAT) £m	Movt (incl VAT) £m	2018/19 Budget (excl VAT) £m	Explanation of Movement
Other Employee	1.4	1.6	0.2	1.5	No individually material movements.
Premises	59.6	58.1	-1.5	51.3	Net budget reductions across estates running costs.
Transport	23.3	22.1	-1.2	19.0	Telematics savings offset by other pressures.
Supplies & Services	36.9	37.0	0.1	31.6	Increase due to the revenue cost of mobility devices and uniforms offset by various savings.
ICT	18.1	18.8	0.7	15.7	Growth related to approved cost of change business cases (core refresh, ANPR and cyber).
Administration	5.9	5.4	-0.5	4.5	Reduction mainly related to commercial excellence savings.
Third Party Payments	14.9	15.1	0.2	14.3	Liability claims cost pressure offset by savings across various third party payments.
Capital Financing	4.4	3.9	-0.5	3.9	Reduced loan finance charges arising from forecast reduction in interest rates payable on a reducing loan balance.
Other Costs	-2.5	0.0	2.5	0.0	Balance of prior year's unallocated savings target that was not realised and base adjustment for holiday pay accrual.
Total	162.0	162.0	0.0	141.8	



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Movement in Non-Pay Budget from 2017/18 to 2018/19

	Movement £m	Movement £m	Description
Base Budget Adjustments			
Premises efficiency saving	1.3		2017/18 efficiency savings not realised.
Holiday pay accrual	1.0		2017/18 holiday pay reduction not realised.
Other adjustments	-0.7		
Base Budget Adjustments (A)		1.6	
Cost of change business cases	1.4		Revenue cost pressure of the approval business cases for ANPR, core refresh and Cybercrime.
Uniforms	0.6		Armed policing uniform pressure.
Other pressures	0.8		
Budget Growth (B)		2.8	
Liability Claims	1.3		Insufficient historic budget for this cost and forecast increase related to specific claims.
Utilities	0.7		Estimated increase in gas and electricity charges.
Royal policing	0.2		Increase in costs associated with the greater Royal visits/stays in Scotland.
Fuel	0.3		Fuel inflation.
Accident damage	0.3		Insufficient historic budgets.
Helicopter	0.2		Rise in the variable cost of the helicopter due to unfavourable change in exchange rates.
Other pressures	2.7		
Cost Pressures (C)		5.7	
Premises saving	-1.8		Savings from the disposal of properties.
ICT Maintenance	-1.0		Savings from review of ICT contracts.
Telematics	-0.7		Part year saving from the implementation of the telematics solution.
Loan charges	-0.5		Reduction in the loan interest following natural reduction in outstanding loan balances.
Non Domestic Rates	-0.5		Reduction related to over budgeting for West Lothian Civic Centre charges.
Soft FM	-0.3		Budgetary savings from the implementation of the national soft FM contract.
Single payroll	-0.3		Savings from the implementation of a single payroll solution.
Commercial excellence	-0.3		Savings from the commercial excellence programme in respect of travel, printing and stationery.
Catering	-0.1		Changes to the catering provided at the Police College – Jackton.
Other	-4.7		
Reductions to Budget Requirement (C)		-10.2	
Other Movements (D)		0.1	
Total Movement (A+B+C+D)		0.0	

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9 Income Budget

	2017/18 Budget £m	2018/19 Budget (inc. VAT) £m
Grant Funding	12.4	11.9
Fees & Charges	27.8	27.4
Other Income	2.5	1.4
Total	42.7	40.7

Movements in the Police Scotland Income Budget 2017/19 to 2018/19



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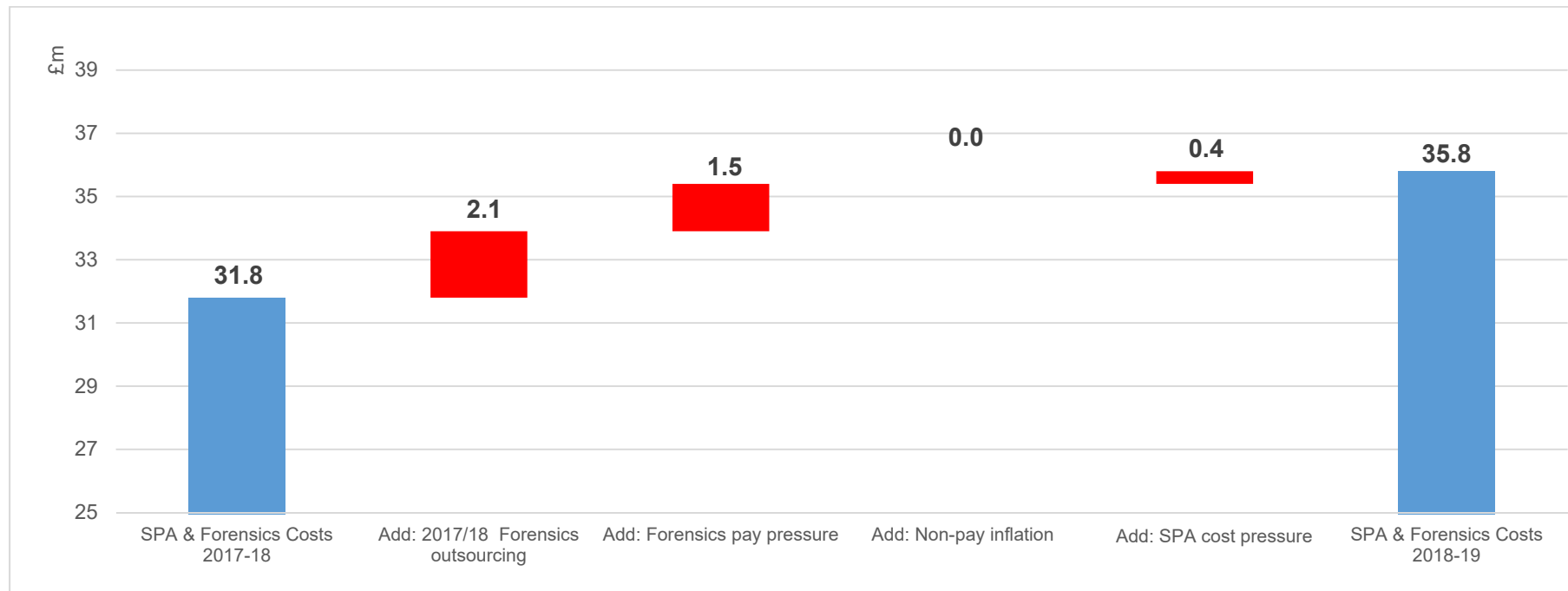
	Movement £m	Description
Less non-recurring income	-1.8	One-off income stream from prior year (i6).
Seconded Officer	-2.1	Reduction in seconded Officers income.
Grant income	-0.5	Net reduction in grant income primarily from Local Authorities.
Services of Police income	2.1	Increase in income from the European Championships, Glasgow 2018 (£1.5m) and the Open Golf (£0.6m).
Abnormal load income	0.7	Increase in income from abnormal loads movements. This increase is partially offset by increased non-core overtime costs.
Other movements (net)	-0.4	
Total	- 2.0	

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10 Forensics & SPA Corporate Budget

	2017/18 Budget (incl VAT) £m	2018/19 Budget (incl VAT) £m	Movement (incl VAT) £m	2018/19 Budget (Excl VAT) £m
Forensics	27.8	31.4	3.6	30.6
SPA Corporate	4.0	4.4	0.4	4.1
Total	31.8	35.8	4.0	34.7

Movements in the total SPA & Forensics Budget 2017/19 to 2018/19



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	Movement Incl VAT £m	Description
Forensic outsourcing costs	2.1	Non-recurring outsourcing of biology casework.
Forensics pay pressure	1.5	Increase in staff costs - pay pressure (£0.5m) and new posts (£1.0m).
Forensics non-pay inflation	-	Non-pay inflation (£0.1m) and savings (£0.1m).
SPA Corporate pressure	0.4	Increase in staff costs and secondments.
Total	4.0	

11 Funding

11.1 On 14 December 2017, the Cabinet Secretary for Finance & the Constitution presented the Scottish Government’s Draft Budget for 2018/19.

11.2 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). Further, due to the change in VAT status for SPA from 2018/19, the organisation has gained increased spending capacity of £25m (£22m in revenue and £3m in capital).

11.3 The SPA will be agreeing a budget with an operating deficit of £35.6m in 2018/19. 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.

11.4 The table below highlights the change in funding between current and next year.

Scottish Government Funding	2017/18	2018/19	Movement	
	£m	£m	£m	%
Revenue	1,022.4	1,064.8	+42.4	4.1%
Capital	20.0	23.0	+3.0	15.0%
Reform	59.5	29.6	-29.9	-50.3%
Total Funding	1,101.9	1,117.4	+15.5	1.4%

11.5 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 2018/19. The Scottish Government is fully aware of this situation and is committed to supporting the SPA to manage this position throughout the year.

11.6 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).

11.7 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.

11.8 The reform funding is available to support a new phase of change and transformation for policing.

- 11.9 In addition to the above funding the SPA also has specific funding for non-cash expenditure and expenditure outside departmental expenditure limits (ODEL). Non-cash revenue funding represents ring-fenced funding for non-cash accounting charges which includes: depreciation, impairments and provisions. ODEL expenditure is specific funding for loan charges on borrowing undertaken by Local Authorities on behalf of legacy Police Forces pre 2004/05.

12 Summary of the Capital Plan

- 12.1 The capital plan has been developed through collaboration between the finance function, operational and commercial business areas and the change function. A Capital Investment Group (CIG) was established in year to assess and prioritise capital bids in line with policing priorities and business need, and to agree a capital plan for 2018/19. This group will meet on a quarterly basis to review progress against the capital plan and assess changes to the capital priorities where necessary.
- 12.2 The decision was taken by the CIG to make a distinction between 'business as usual' investments and 'change' investments. Rolling capital programmes were identified and established for 'business as usual' investments in five key areas (fleet, estates, ICT, specialist policing equipment and weaponry), and a key business area lead was appointed as the responsible budget holder for each. Finance worked closely with the responsible budget holders to compile and assess priorities, and to produce capital bids for each of the five rolling programmes. Finance also worked in collaboration with programme and project managers within the change function to produce capital bids for transformation activities that form part of the Policing 2026 change portfolio.
- 12.3 In respect of the Police Scotland 2018/19 capital planning process, original bids received by the CIG totalled £71.9m of which £35.7m related to 'business as usual' activity and £36.2m related to investment in change activity. The total allocation made to each category was £20m and £20.5m respectively (further detail provided at section 12.6). The bids were scrutinised by the CIG and a check and challenge process was undertaken with leads for the 'business as usual' and 'change' bids. This included assessing bids based on a number of key criteria, including:
- strategic priority;
 - operational benefit;
 - operational risk;
 - 2018/19 savings potential;
 - long term savings potential; and
 - deliverability in 2018/19.
- 12.4 It should be highlighted that whilst the 'change' capital plan consists of a number of investments which have had business cases approved in 2017/18, full and robust business cases are still in development for an element of the 'change' investments. These will be concluded in the early months of the 2018/19 financial year. In addition, the CIG will monitor and review a list of those investments which in light of the capital budget constraints, were not considered a priority in 2018/19. Consideration will be given to reprioritisation should there be any slippage in the 2018/19 capital plan.

12.5 A summary of the capital programme is shown below.

	2017/18 (inc. VAT) £m	2017/18 (excl. VAT) £m	2018/19 (excl. VAT) £m
Police Scotland capital expenditure	41.5	35.3	40.5
Forensics capital expenditure	0.9	0.7	1.1
Total Capital Expenditure	42.4	36.0	41.6
Capital Funding	-20.0	-20.0	-23.0
Capital Receipts	-10.0	-10.0	-14.0
Capital Investment from Reform to Support Transformational Change	-6.0	-6.0	-4.6
Reform - VAT	-6.4	n/a	n/a
Total Funding	-42.4	-36.0	-41.6

12.6 The themes of planned Police Scotland capital spend in 2018/19 is shown in the table below.

Police Scotland Capital Expenditure Plan	Total £m
<u>Business As Usual Rolling Programmes</u>	
Estates	4.4
Fleet	5.0
ICT	6.3
Specialist Policing Equipment	2.9
Weaponry	1.4
Total	20.0
<u>Change Programmes</u>	
Corporate Services Transformation	0.5
Commercial Services Transformation - Procure to Pay	0.4
Commercial Services Transformation - Telematics	0.5
Commercial Services Transformation – Estates Transformation	0.2
Criminal Justice & Custody – Custody Remodelling	0.9
Criminal Justice & Custody – Productions Remodelling	1.1
Criminal Justice & Custody – CJ Records Management	0.3
Criminal Justice & Custody – Speed Awareness	0.5
Digitally Enabled Policing - Mobility	1.4
Digitally Enabled Policing – Core Operating Systems	5.0
Cybercrime Capability	0.5
Payroll Transformation	0.1
ICT - National Network	1.7
ICT - ADEL	4.7
ICT - Digital ICCS	2.5
Automatic Number Plate Recognition	0.2
Other Bids (no allocation awarded)	0
Total	20.5
Total Police Scotland Capital Plan	40.5

13 Reform Budget 2018/19

- 13.1 The Scottish Government has continued to provide additional Police Reform funding to be used to continue to support change and transformation for policing as part of the Policing 2026 programme.
- 13.2 During 2017/18 a new investment governance process was established for business change which takes consideration of the three distinct Scottish Government funding sources. Business cases requesting access to reform funding must demonstrate alignment to the Policing 2026 programme.
- 13.3 Business cases require to be considered internally by Police Scotland for approval in the first instance. They will require the approval of the Accountable Officer/SPA and Scottish Government prior to the release of funding. There were business cases approved during 2017/18 with cost implications on 2018/19 and these are shown as 'committed expenditure' in the table below.
- 13.4 VAT is now a recoverable cost and so there is no call on reform funding in this regard. As a result, greater spending power is created in respect of non-pay expenditure charged to the reform budget. For example, professional services costs in 2018/19 are estimated at £7.7m, as per the table below. However, if VAT was not recoverable, the charge against reform funding would have been 20% greater at £9.2m.
- 13.5 The use of reform funding is separately monitored as a distinct funding source from the revenue and capital budgets. This is also reported separately in the financial monitoring reports. A summary of the reform budget and expenditure is shown below.

Revenue Reform	Total £m
Funding	25.0
<u>Committed Expenditure</u>	
Cost of TRCG resourcing	9.2
<u>Planned Expenditure</u>	
New TRCG Resourcing (including Forensics)	3.5
Professional services	7.7
Digital & Efficiency Transformation	1.4
Operational Policing Transformation	0.6
Corporate Services Transformation	0.5
VR VER	2.1
Total Committed & Planned Expenditure	25.0