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| Meeting | Scottish Police Authority Board |
| Date | 28 March 2019 |
| Location | Maryhill Burgh Halls, Glasgow |
| Title of Paper | Scottish Police Authority Budget 2019/20 |
| Presented By | James Gray, Chief Financial Officer |
| Recommendation to Members | For Approval |
| Appendix Attached | Yes: Appendix A: Scottish Police Authority Draft Budget 2019/20 |

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 the financial year 2019/20 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 outlines the proposed Scottish Police Authority (“the Authority”) budget for the financial year 2019/20.
- 1.2 The detailed 2019/20 draft budget is as per Appendix A.

2 FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 This budget is being presented at a time of political uncertainty and against the backdrop of a challenging fiscal environment. As a result, proposing a reduction in the operating deficit in 2019/20 has necessitated a number of difficult decisions on the prioritisation of resources.
- 2.2 The proposed underlying operating deficit in the 2019/20 budget of £24.6m has reduced from the £35.6m included in the 2018/19 budget, representing positive progress.
- 2.3 However, the Authority is at a critical juncture and its financial sustainability in future years is highly dependent on revenue funding settlements, the ability to invest significantly in transformation and the size and shape of the workforce.
- 2.4 Furthermore, the additional in-year costs associated with Brexit are assumed to be £17m, representing 400 police officers more than was assumed in the current 3 Year Financial Plan. If no additional funding is made available, the operating deficit would increase to £41.6m. Unwinding this position by reducing officer numbers back down to the previously planned position over a number of months - when appropriate to do so – will almost certainly have an impact on subsequent financial years.
- 2.5 Although the level of capital and reform funding made available is not sufficient to deliver the planned transformation portfolio in full (including the first year of the Digital Data & ICT strategy), some high-impact programmes will be implemented that will benefit officers and staff.
- 2.6 The key highlights in the revenue budget include:
 - Provision for 400 additional police officers for the full year, in response to the potential challenges of Brexit, currently assumed to be additional pressure on the operating deficit
 - Inclusion of the full-year costs of the 6.5% pay award made to police officers in September 2018

- A continued commitment to no compulsory redundancies
- An additional 214 new permanent posts in the revenue budget that were previously funded from the non-recurring reform budget. These are incremental to 116 new roles created in 2018/19
- The absorption of all year-on-year inflationary growth in non-pay costs, following the inclusion of a £4.8m central cost challenge
- The continuation of additional funding to Forensic Services to complete the resolution of the backlog of historic cases
- A significant (31%) year-on-year reduction in the operating deficit, before considering the impact of Brexit

2.7 The key investment highlights include:

- Equipping officers with ~10,000 mobile devices to enable them to access information remotely and spend more time in the communities they serve
- Delivery of an integrated Information Management System, streamlining existing core policing systems that are currently dispersed over multiple platforms
- Development and installation of a single, consolidated IT network, a critical enabler for further centralisation of national systems
- This budget enables a ~£10m investment in staff pay, reflecting the outcomes of the Staff Pay & Reward Modernisation (SPRM) programme which harmonises legacy pay grading and terms & conditions
- ~£20m "Business as usual" investment across Forensic Services, Estates, Fleet, ICT and specialist equipment, albeit at a level significantly lower than that required to fully maintain core assets. Over time, this will create additional operational risk and recurring revenue cost pressure

2.8 A number of significant challenges remain:

- Work is ongoing to develop multi-year strategies for the workforce and estates, and to re-plan the delivery of the DDICT strategy over an extended timeframe. Medium and long-term financial planning is highly dependent on the completion of these activities

- The non-pay budget has now reduced to ~12.5% of total costs, increasing the difficulty in maintaining “flat cash” year-on-year whilst absorbing inflationary pressures. It is therefore no longer sustainable to allow zero non-pay cost growth into future years
- The difficult trade-offs required in order to optimise the use of capital and revenue funding have necessarily resulted in some “business as usual” investment below the level required to fully maintain the core asset base. For example:
 - The Authority spends £9 per square metre on maintaining its estate compared with a UK police service average of £38 per square metre
 - Fleet capital spend of £1,500 per vehicle for replacement which, based on the average purchase price of £15,000, implies a ten year replacement cycle

2.9 Conclusion:

- Given the challenges faced, this is a robust and achievable budget proposal, representing the best use of the resources available to the Authority
- The Authority continues to demonstrate sound financial management, including a reduction of the underlying deficit, and its ability to deliver some key strategic outcomes
- The future outlook remains challenging, and securing ongoing financial sustainability is dependent on a number of uncertain factors

3. FINANCIAL IMPLICATIONS

- 3.1 The financial implications for the financial year 2019/20 are set out in this report.

4. PERSONNEL IMPLICATIONS

- 4.1 The personnel implications for the financial year 2019/20 are set out in this report.

5. LEGAL IMPLICATIONS

5.1 There are no legal implications associated with this paper.

6. REPUTATIONAL IMPLICATIONS

6.1 Continuing current levels of investment in core assets into future years will, over time, lead to a deterioration in the Authority's property, fleet and technology infrastructure. This may impact adversely on the Authority's reputation.

7. SOCIAL IMPLICATIONS

7.1 There are no social implications associated with this paper.

8. COMMUNITY IMPACT

8.1 There are no community implications associated with this paper.

9. EQUALITIES IMPLICATIONS

9.1 There are no equality implications associated with this paper.

10. ENVIRONMENT IMPLICATIONS

10.1 There are no environmental implications associated with this paper.

RECOMMENDATIONS

Members are asked to **APPROVE** the Scottish Police Authority draft budget for 2019/20.

OFFICIAL

SCOTTISH POLICE
AUTHORITY

Scottish Police Authority Draft Budget 2019/20

SPA Board

28 March 2019

OFFICIAL

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1. Executive Summary

- 1.1 This report sets out the Scottish Police Authority (“the Authority”) budget for 2019/20. Approximately 96.9% of the annual spending is undertaken by Police Scotland, with the remainder incurred by Forensic Services (2.7%) and the SPA Corporate body (0.4%).
- 1.2 Since the inception of the Authority and Police Scotland annualised revenue savings of approximately £195m have been achieved. By 2026, cumulative savings from police reform (net of costs) are expected to be £1.9bn. This represents a significant over-delivery compared to the Scottish Government’s outline business case for the creation of the Authority, which targeted £1.1bn of cumulative savings by 2026.
- 1.3 Reductions in revenue funding from both central and local government have significantly outpaced the delivery of these savings. This along with the Government’s commitment in 2007 to increase police numbers by 1,000 officers led to a significant operating deficit of £63m by 2016/17.
- 1.4 The three year financial plan presented to the SPA Board on 2 May 2018 demonstrated a credible path to eliminating the operating deficit by 2020/21 whilst continuing to support delivery of the Policing 2026 strategy.
- 1.5 On 13 November 2018, the SPA Resources Committee reviewed an interim revision of the plan which incorporated the impact of a number of recent developments on pay, investments and other planning assumptions, including the full Digital, Data and ICT Strategy (DDICT) programme - as per the outline business case - and progress towards the harmonisation of staff pay and reward.
- 1.6 The November revision to the three year plan suggested a deficit of £22.1m in 2019/20 reducing to a broadly neutral position the following year. The original plan required a £31.7m cost challenge to balance the budget in 2020/21 and this was removed in its entirety from the revised plan, demonstrating good progress.
- 1.7 The proposed revenue budget requirement for 2019/20 is £1,136.7m, £17.0m of which relates to the anticipated additional cost of Brexit. Excluding the additional £17m, the core operating deficit is £24.6m when compared with the revenue grant funding of £1,095.1m. All measures possible will be taken to minimise this deficit throughout the year by seeking further recurring and non-recurring savings and additional income opportunities.
- 1.8 The Scottish Government is aware of this budgetary position and that the Authority is working to a three year plan to deliver financial sustainability as part of the Policing 2026 portfolio of transformation and modernisation. 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.
- 1.9 Capital and reform funding for 2019/20 is significantly less than that required to deliver the full transformation programme and to maintain core assets. Capital bids received by the Capital Investment Group (CIG) totalled £109m for 2019/20 against a proposed capital budget of £43.1m and reform bids totalled £60.1m for 2019/20 against a proposed allocation of £25m.

2. Introduction

- 2.1 The 2019/20 budget sets out the spending plans for the Authority incorporating Police Scotland, Forensic Services and SPA Corporate for the next financial year.
- 2.2 The most recent 2018/19 forecast indicates that the Authority will achieve its deficit reduction target of £35.6m in the current year. Excluding Brexit, the core operating deficit is £24.6m for 2019/20, representing a 30.9% (or £11m) reduction against the current year.
- 2.3 The Scottish Government has written to HM Treasury to seek additional funding for the costs relating to Brexit. The outcome of this request has yet to be confirmed. The current funding allocation includes £19.1m real terms revenue protection and £11.2m contribution to the police officers' pay award.
- 2.4 The Authority also receives Scottish Government funding for capital and reform investment.
- 2.5 A significant amount of work has gone in to strengthening financial governance and management of capital investment in Police Scotland. This has been achieved by the development of an Investment Governance Framework, a revised Capital Planning policy and process, and the establishment of the Capital Investment Group. This has resulted in a prioritised Capital Plan that provides greater confidence over delivery of the plan based on clear benefits, all of which is overseen by the Authority's Resources Committee and Board.
- 2.6 The reform budget supports the delivery of key transformation projects based on prioritised demand and supported by underlying business cases. However, the Scottish Government budget for 2019/20 is significantly less than the requirement of the full transformation programme, in particular DDICT. The overall aims of the strategy remain and key elements have been prioritised for 2019/20.
- 2.7 Overall, this budget highlights the significant pressures to achieving financial sustainability by 2020/21. Significant investment is required to transform Police Scotland to allow productivity savings and changes to the size and mix of the workforce. In addition, significant demands in relation to Brexit mean that, without additional funding, the year on year deficit reduction cannot be achieved.

3. Approach to the development of the 2019/20 Budget

- 3.1 The financial protocols in place for the management and monitoring of budgets in the financial year are set out in the Authority's Financial Regulations, the revised Finance Scheme of Delegation, and the Budget Management Guidelines and the Budget Strategy agreed by the Board in advance of the process commencing.
- 3.2 The revenue budgeting approach continues to be further developed and refined over time. A zero based approach was used for budgeting all staff costs, however in lieu of a Strategic Workforce Plan, this was done on a "left to right" basis incorporating the impact of any planned changes to staff numbers and structure. Across the whole employee base, the approach identified the actual pay costs for each employee and built the budget requirement on a granular basis. Pay costs will continue to be phased monthly on a full accruals basis.
- 3.3 Finance business partners have worked closely with all budget holders to identify cost pressures and savings. These movements have been formally agreed and signed off by budget-holders in Police Scotland, Forensic Services and SPA Corporate. The purpose of this exercise has been to ensure accountability for budget management lies with budget holders and the direction of travel is to devolve controllable costs as far as possible.
- 3.4 In Police Scotland the budget development process 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 formal internal governance at the Corporate Finance and Resource Board and Strategic Leadership Board. The Director of Forensic Services and the Chief Executive have reviewed the budget requirement for Forensic Services and SPA Corporate respectively.
- 3.6 The spending of both capital and reform funding will be closely scrutinised and any proposed spending requires to be transformational in nature and supported by a robust business case that clearly sets out the business need, costs and benefits. Where reform funding is to be used business cases will be submitted to the Scottish Government for review and funding will be drawn down once Scottish Government approval has been granted.

4. Supporting the Delivery of the Policing 2026 Strategy

- 4.1 Policing 2026 is a collaborative and strategic programme of work driven by the Authority that aims to transform the delivery of policing in Scotland over ten years. The strategy provides the opportunity to achieve long term sustainability and Police Scotland's vision of 'sustained excellence in service and protection'. It will also ensure that Police Scotland is sufficiently flexible to meet changing priorities.
- 4.2 The 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 Having already exploited many of the initial scale and organisational redesign benefits expected from the merger of legacy organisations into one, the deficit reduction plan is heavily dependent on financial benefits resulting from the implementation of the Policing 2026 strategy which requires significant capital and reform investment.
- 4.4 To date, there has been limited investment in the organisation's technology infrastructure, resulting in many end-of-life legacy systems, poor integration and operational inefficiencies. The DDICT outline business case approved by the Board on 27 September 2018 set out a multi-year ICT strategy and investment requirement to replace ageing infrastructure and build out the level of capability demanded of a 21st century Police Force.
- 4.5 The business case recommends the delivery of the full suite of programmes required to maximise the economic and operational benefits, the capital costs of which are £244m plus £54m of reform funded costs over nine years.
- 4.6 Furthermore the Forensic 2026 Strategy, which supports Policing 2026, will require investment and support to deliver benefits in forensic service - a critical support service to both the Police and the Crown Office and Procurator Fiscal Service.
- 4.7 The Scottish Government budget allocation to the Authority for 2019/20 does not include funding to deliver the full strategy. The overall aims of the strategy remain and key elements will be prioritised in 2019/20, and an extended delivery timeline is currently being developed. This delays the delivery of benefits and savings that were expected from DDICT.

5. Summary of 2019/20 Revenue Budget

5.1 The table below sets out the overall proposed movement in the Police Scotland, Forensic Services and SPA Corporate budgets between 2018/19 and 2019/20.

| | 2018/19 Budget £m | 2019/20 Budget £m | Movement £m | Movement % |
|--------------------------|-------------------------|-------------------------|----------------|---------------|
| Police Scotland – Core | 1,065.7 | 1,085.0 | 19.3 | 1.8% |
| Police Scotland – Brexit | 0.0 | 17.0 | 17.0 | - |
| Forensic Services | 30.6 | 30.2 | -0.4 | -1.3% |
| SPA Corporate | 4.1 | 4.5 | 0.4 | 9.8% |
| Overall | 1,100.4 | 1,136.7 | 36.3 | 3.3% |

5.2 The table below sets out a summary of the 2018/19 revenue budget and the proposed 2019/20 revenue budget.

| | | Further Detail at Page | 2018/19 Budget £m | 2019/20 Budget £m | Movement £m | Movement % |
|-----------------------------|--------------------------------------|------------------------------|-------------------------|-------------------------|----------------|---------------|
| Police Scotland | Police Officer Costs - Core | 8 & 9 | 786.6 | 801.1 | 14.5 | 1.8% |
| | Police Officer Costs - Brexit | 8 & 9 | 0.0 | 17.0 | 17.0 | - |
| | Police Staff Costs ¹ | 10 & 11 | 177.0 | 181.6 | 4.6 | 2.6% |
| | Non-pay Costs ¹ | 12 – 14 | 142.7 | 143.0 | 0.3 | 0.2% |
| | Income | 15 & 16 | -40.6 | -40.7 | -0.1 | 0.2% |
| | Net Expenditure | | | 1,065.7 | 1,102.0 | 36.3 |
| SPA | Forensic Services² | 17 | 30.6 | 30.2 | -0.4 | -1.3% |
| | SPA Corporate | 17 | 4.1 | 4.5 | 0.4 | 9.8% |
| | Net Expenditure | | 34.7 | 34.7 | 0.0 | 0.0% |
| Total Revenue Budget | | | 1,100.4 | 1,136.7 | 36.3 | 3.3% |
| <u>Funded by:</u> | | | | | | |
| | Grant-in-Aid ³ | 18 & 19 | 1,064.8 | 1,095.1 | 30.3 | 2.8% |
| | Operating Deficit – Core | | 35.6 | 24.6 | -11.0 | -30.9% |
| | Operating Deficit – Brexit | | 0.0 | 17.0 | 17.0 | - |
| Total Funding | | | 1,100.4 | 1,136.7 | 36.3 | 3.3% |

¹ There is a presentational movement between pay and non-pay in 2018/19 related to the realignment of CAY pension budgets.

² Forensic Services underlying year-on-year growth, excluding outsourcing costs, is £0.8m (2.8%).

³ 2019/20 includes new recurring funding for officer pay award of £11.2m. Year-on-year real terms protection, excluding pay award, is £19.1m.

- 5.3 All savings proposals are built into the budget lines to which they specifically relate. The proposed revenue budget for 2019/20 is £1,136.7m which, when accounting for the impact of Brexit and assuming no additional funding, would result in a total operating deficit of £41.6m. Excluding the additional £17m, the underlying core deficit is £24.6m.
- 5.4 The revenue budget includes a number of budgeting assumptions. There will be a financial impact if any of these assumptions varies. These are set out below and have been allocated to an accountable owner and will be monitored throughout the financial year.

| Assumption | Owner | Budget Assumption Risk Rating |
|---|----------------------------------|-------------------------------|
| <p>Budgeting for 16,834 FTE core police officer resource for the duration of 2019/20 plus an additional 400 in respect of Brexit planning.</p> <p>The three year financial plan assumed an average of 16,834 officers for 2019/20 delivering a year on year cost saving of £12.6m. Additional recruitment in support of Brexit contingency planning has resulted in the postponement of this plan.</p> | Chief Constable | High |
| <p>A 6.5% pay award for police officers.</p> <p>An agreement was reached to provide a 6.5% pay award for Police officers below the rank of Assistant Chief Constable from 1 September 2018 until 31 March 2021. This will be partially funded by additional recurring Government funding.</p> <p>The agreement reached also included changes to CRTP and pay points which realise both costs and savings.</p> | Director of People & Development | Low |
| <p>The European Working Time Directive (EWTD) provides that every worker should receive 20 days of annual leave each year and that these 20 days should be paid at the workers "normal" rate of pay, including overtime. Based on recent negotiations, an additional £2.6m recurring costs has been included in the budget.</p> | Director of People & Development | Low |
| <p>A pay award for Police Staff for in line with current Public Sector Pay Policy (PSPP). This will be subject to consultation and negotiation with staff associations.</p> | Director of People & Development | Low |
| <p>A continued commitment to no compulsory redundancies.</p> | The Authority | Low |
| <p>The cost of SPRM is based on a job evaluation and pay & grading exercise. Staff still have the opportunity to appeal their outcome. There is no budget for the potential cost of successful appeals.</p> | Director of People & Development | Medium |
| <p>No budgeted savings from VR/VER.</p> | Chief Financial Officer | Low |
| <p>Application of a vacancy factor and turnover saving to the Police Staff budget (£12.1m) which reflects the historic turnover within each Division/ Department.</p> | Director of People & Development | Medium |

| | | |
|---|-------------------------|--------|
| Maternity, paternity and sick pay costs consistent with the previous year. | Chief Financial Officer | Low |
| No general inflationary uplifts. | Chief Financial Officer | Medium |
| Any emerging 2019/20 cost pressures will be managed within existing budgets to ensure no year on year growth. | All | Medium |
| The budget includes £2.2m of unavoidable legal pressures. There is a further threat from potential liability claims and additional legal fees not included at this point. | DCC Professionalism | High |
| A £4.8m central cost challenge is included to be translated into tangible cost saving initiatives at the earliest opportunity. | All | High |
| An additional Income target has been included in the 2019/20 budgets based on the levels reported in the three year plan (i.e. 2018/19 forecast adjusted for known changes). This is on the basis that there will typically be additional events, football matches, etc. over and above those confirmed at the time of budget setting. The current budget assumes the continuation of income by way of grant funding from local authorities and other partner organisations (unless formal notification has been received to advise to the contrary). Significant reductions have already been confirmed for E Division, Q Division and U Division and these have been reflected in the 2019/20 budgets. There is a risk of further reductions from other Local Authority areas. | All | Medium |
| Non pay savings incorporated into the budget base relating to Commercial Excellence, Telematics and property disposals. | Delivery Teams | Medium |

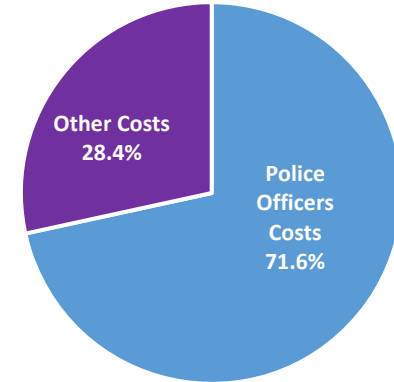
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| Overall Revenue Budget 2019/20 Deliverability Risk | Medium |
|--|--------|

Budget Assumption Risk Rating

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| Low | It is considered remote or unlikely that the assumption will change. |
| Medium | It is possible that the assumption will change. |
| High | It is likely or very likely that the assumption change. |

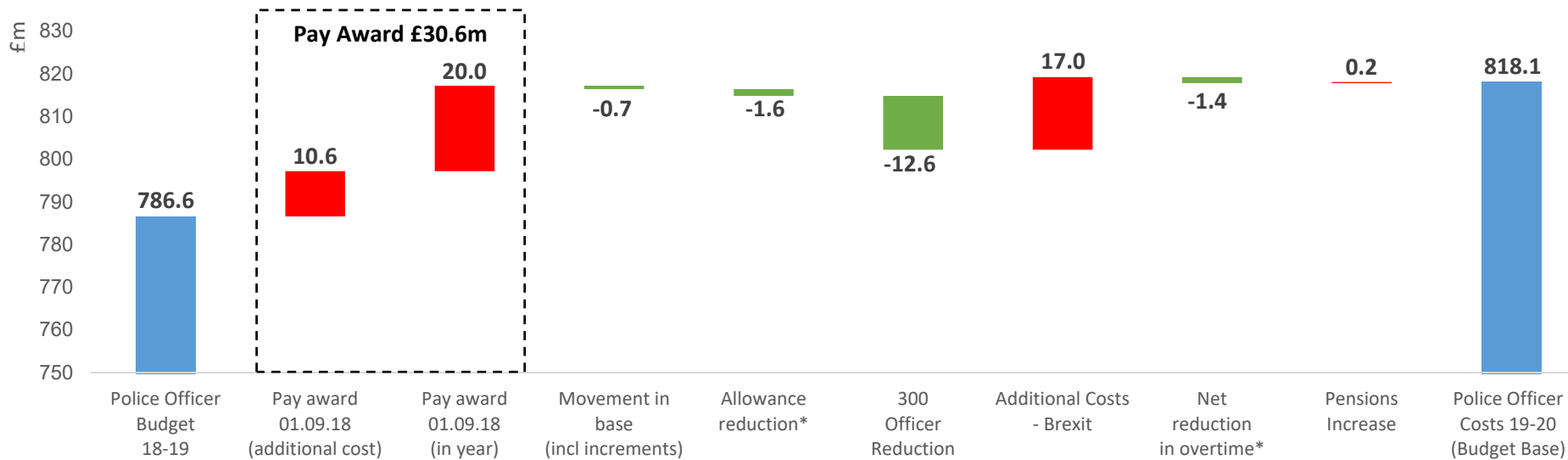
6 Police Officer Costs Budget

| | 2018/19 Budget £m | 2019/20 Budget £m | Movement £m |
|-------------------------------------|-------------------------|-------------------------|----------------|
| Police Officer Pay ¹ | 729.3 | 746.3 | 17.0 |
| Police Officer Pay - Brexit | 0.0 | 17.0 | 17.0 |
| Overtime ^{1&2} | 18.9 | 16.5 | -2.4 |
| Allowances ² | 18.5 | 18.2 | -0.3 |
| Injury Benefit / Ill health pension | 19.9 | 20.1 | 0.2 |
| Total | 786.6 | 818.1 | 31.5 |



¹ There is a presentational adjustment between Pay and Overtime in 2018/19 for the realignment of Allard costs.

² £1m has been transferred between overtime and allowances for the overnight allowances implemented in June 2018.

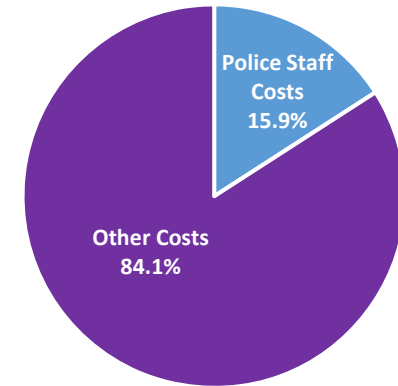


Movement in Police Officers Budget from 2018/19 to 2019/20

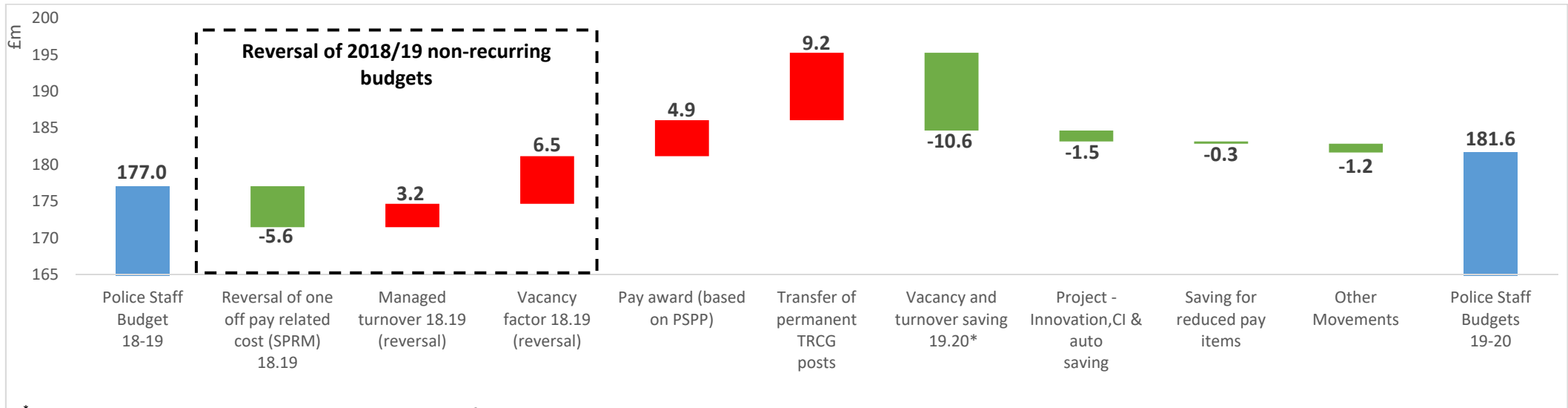
| | Movement £m | Description |
|-------------------------------------|----------------|--|
| Pay award | 30.6 | The total cost of the 6.5% pay award for officers. |
| Movement in base | -0.7 | Cost of increments and net of savings from retirals, attrition, promotions, recruitment succession savings & delayering. |
| Allowance reduction | -1.6 | Reduction in rent and housing allowance as officers retire and new probationers do not receive this allowance. |
| Reduction in officer numbers | -12.6 | Average reduction of 300 officers from 1 April 2019 as per three year plan. |
| Additional cost – Brexit | 17.0 | Cost pressure in 2019/20 for increasing and maintaining officer numbers at 17,234 (400 increase on three year plan assumption). |
| Net reduction in overtime | -1.4 | Removal of one-off 2018/19 overtime spend for Allard (£2m), reduction of non-core overtime related to reduced income (£1.6m) and an increase in budget for the EWTD (£2.2m). |
| Injury Benefit / Ill health pension | 0.2 | Cost pressure based on the most recent pension information. |
| Total | 31.5 | |

7 Police Staff Costs Budget (excluding Forensic Services and SPA Corporate)

| | 2018/19 Budget £m | 2019/20 Budget £m | Movement £m |
|-------------------------------|-------------------------|-------------------------|----------------|
| Police Staff Pay ¹ | 160.6 | 164.8 | 4.2 |
| VR VER Saving | 0.0 | 0.0 | 0.0 |
| Overtime | 2.0 | 2.5 | 0.5 |
| Allowances | 13.6 | 13.9 | 0.3 |
| Special Constables | 0.8 | 0.4 | -0.4 |
| Total | 177.0 | 181.6 | 4.6 |



¹There is a presentational adjustment between pay and non-pay in 2018/19 due to the realignment of CAY pension budgets.



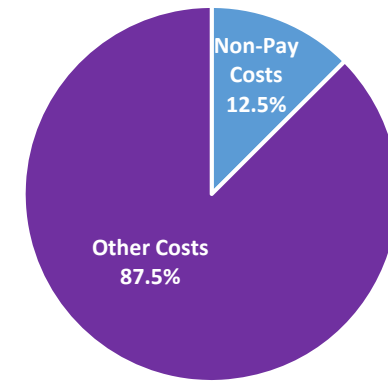
*Vacancy and turnover saving sustainable on the basis of vacancies across the organisation.

Movement in Police Staff Budget from 2018/19 to 2019/20

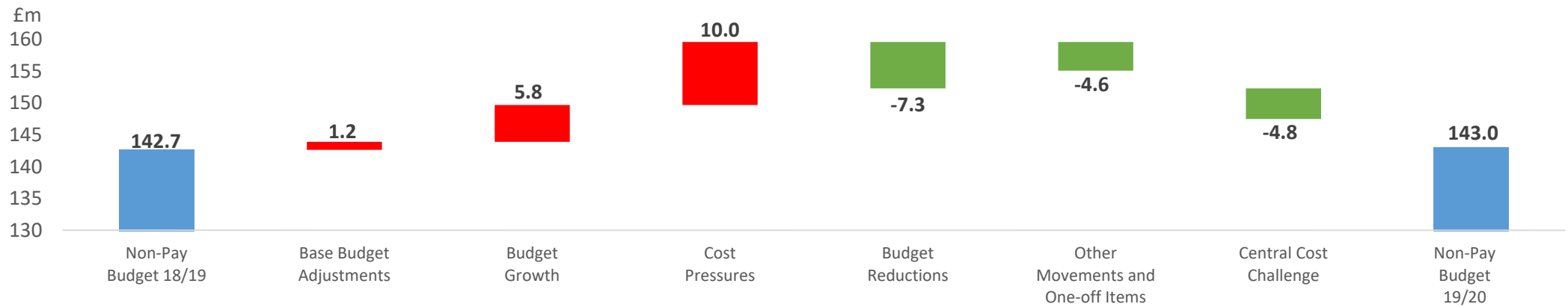
| | Movement £m | Description |
|-------------------------------------|----------------|--|
| One-off pay related costs | -5.6 | Reversal of one-off pay related costs in 2018/19 – SPRM. |
| Managed turnover 2018/19 | 3.2 | Reversal of 2018/19 managed turnover saving. |
| Vacancy factor 2018/19 | 6.5 | Reversal of 2018/19 turnover saving. |
| Pay award | 4.9 | Cost of pay award assumed in line with the public sector pay policy. |
| Transfer of permanent TRCG posts | 9.2 | Cost of permanent TRCG posts (previously reform funded). |
| Vacancy and turnover saving 2019/20 | -10.6 | 2019/20 turnover savings based on actual levels of turnover experience and vacancies across the last financial year. |
| Project savings | -1.5 | Anticipated savings from Innovation, Continuous Improvement and Automation project. |
| Increase in reduced pay items | -0.3 | Reduction in respect of staff on half or nil pay based on historic trends. |
| Other Movements (net) | -1.2 | |
| Total Movement | 4.6 | |

8 Non-Pay Budget (excluding Forensic Services and SPA Corporate)

| | 2018/19 Budget £m | 2019/20 Budget £m | Movement £m |
|--------------------------------|-------------------------|-------------------------|----------------|
| Other Employee ¹ | 2.4 | 2.6 | 0.2 |
| Premises ¹ | 49.2 | 49.5 | 0.3 |
| Transport | 19.0 | 19.8 | 0.8 |
| Supplies & Services | 31.6 | 31.0 | -0.6 |
| ICT | 15.7 | 23.3 | 7.6 |
| Administration | 4.5 | 6.4 | 1.9 |
| Third Party Payments | 14.3 | 14.0 | -0.3 |
| Capital Financing ¹ | 6.0 | 5.8 | -0.2 |
| Other | 0.0 | -9.4 | -9.4 |
| Total | 142.7 | 143.0 | 0.3 |



¹There is a presentational adjustment to reflect the realignment of CAY pension budgets and PFI.



Movement in Non-Pay Budget from 2018/19 to 2019/20

| Cost Pressures and Budget Reductions | Movement £m | Description |
|--------------------------------------|----------------|--|
| Reversal of 18-19 Premises savings | 1.2 | 2018/19 efficiency savings not realised. |
| Base Budget Adjustments (A) | 1.2 | |
| Training | 0.3 | Training growth based on 2019/20 requirements. |
| ICT Transformation | 5.5 | Revenue implications of DDICT. |
| Budget Growth (B) | 5.8 | |
| IT Licences and Subscriptions | 2.2 | Licences and Subscriptions incl. Microsoft, Vmware, Cybercrime CAID and other smaller growth items. |
| Legal | 2.2 | Unavoidable legal fees for specific cases. Further threat from potential liability claims and additional legal pressures. |
| IT Maintenance | 0.8 | IT Maintenance incl. Core Refresh and revenue implications of capital spend. |
| Electricity | 0.5 | RPI increase electricity (12.25%) offset by an energy awareness campaign to reduce consumption. |
| Contract Cleaning | 0.5 | RPI increase and demand pressures offset by the removal of internal and external window cleaning and review of service levels to reduce costs. |
| Service Maintenance Costs | 0.5 | Cost pressure based on £5m capital funding. |
| Fuel | 0.5 | Fuel price increases. |
| Waste | 0.4 | RPI increase and demand pressures. |
| Property Repairs | 0.2 | RPI and service changes. |
| Airwave | 0.2 | RPI pressure and general price increase, offset by a reduction in the number of vehicles. |
| Local Security Police Premises | 0.2 | Security Service - SLW differentials |
| Cleaning & Domestic Supplies | 0.2 | Demand pressures. |
| Firearms related costs | 0.2 | Ammunition requirements for 2019/20 and STO training. |
| Essential Car User Costs | 0.1 | New dog handlers policy approved in 2018/19. |
| Mortuary | 0.1 | Increased demand for service. |
| Staff Canteen | 0.1 | RPI increase and demand pressures. |
| Other Supplies and Services | 0.1 | People survey for 2019. |
| Other | 1.0 | Other movements. |
| Cost Pressures (C) | 10.0 | |

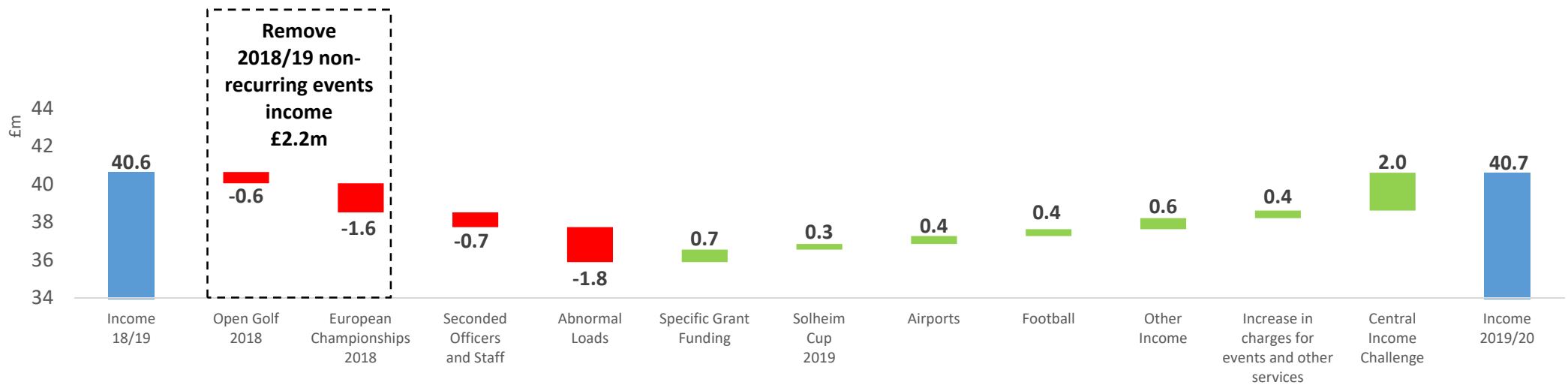
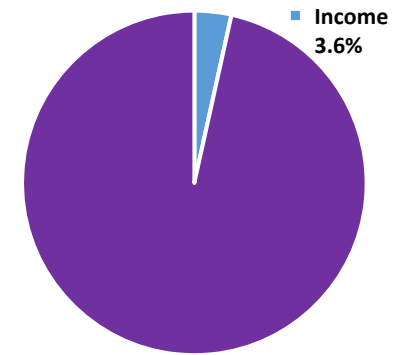
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| Cost Pressures and Budget Reductions | Movement £m | Description |
|---|----------------|--|
| Property Repairs | -2.5 | Actions taken to reduce repairs and maintenance costs. |
| ICT Savings | -1.7 | Savings due to Microsoft negotiations and Nat Net costs funded from reform. |
| Third Party Payments | -0.3 | Reduction in payroll payments to LAs £0.3m and various other movements |
| Public Transport Costs | -0.2 | Overall reduction in public transport. |
| Specialist Ops Equipment | -0.2 | Defer maintenance on small minor items of equipment. |
| Mobile Data | -0.2 | Reduction in support required for mobile data based on the new mobility project. |
| Computer Bureaux | -0.2 | Budget no longer required. |
| Other Fees & Charges | -0.2 | External audit fee. |
| Photocopier | -0.2 | Renegotiated copier contract saving |
| NDR Reduction | -0.2 | Savings from NDR relief. |
| Accident Damage Repairs | -0.1 | Budget reduction due to saving coming from Vehicle Governance Group. |
| Rent and Service Charges | -0.1 | Changes to the catering provided at the Police College – Jackton. |
| Other Property Costs | -0.1 | Budget no longer required. |
| Casual Car User Costs | -0.1 | Overall reduction in casual car costs. |
| Investigative Expenses | -0.1 | Reduction based on current demand levels. |
| Interpreters & Translators | -0.1 | Reduction based on current demand levels. |
| Other | -0.8 | Other movements. |
| Reductions to Budget Requirement (C) | -7.3 | |
| Other Movements (D) | -4.6 | Other movements and one-off items. |
| Central Cost Challenge (E) | -4.8 | £4.5m Police Scotland / £0.3m SPA Corporate |
| Total Movement (A+B+C+D+E) | 0.3 | |

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9 Income Budget

| | 2018/19 Budget £m | 2019/20 Budget £m | Movement £m |
|--------------------------|-------------------------|-------------------------|----------------|
| Grant Funding | 11.9 | 12.6 | 0.7 |
| Fees & Charges | 27.4 | 24.4 | -3.0 |
| Other Income | 1.3 | 1.7 | 0.4 |
| Central Income Challenge | 0.0 | 2.0 | 2.0 |
| Total | 40.6 | 40.7 | 0.1 |



Movement in Income Budget from 2018/19 to 2019/20

| | Movement £m | Description |
|---|----------------|--|
| Non Recurring Income | -2.2 | Remove 2018/19 income for the European Championships (£1.6m) & Open Golf (£0.6m). |
| Seconded Officer | -0.7 | Reduction in seconded officers income |
| Abnormal load income | -1.8 | Reduction in income from windfarm movements in 2019/20. This is partially offset by reduced non-core overtime costs. |
| Grant income | 0.7 | Additional grant funding for Safety Camera Partnership (£0.5m), Cyber Protect (£0.2m), other Partnership funding (£0.2m) and other specific grants (£0.2m), offset by a net reduction in LA officer funding (£0.4m). |
| Services of Police income | 1.1 | Additional income for Football matches (£0.4m), Solheim Cup (£0.3m) and Airports (£0.4m). |
| Increase in charges for events/services | 0.4 | Increase in charge out rates phased over a two year period (19/20 and 20/21). More detail is included in the attached Appendix. |
| Central Income Challenge | 2.0 | A central income challenge has been built into the budgets to bring net income into line with the three year financial planning assumptions (i.e. net of overtime reductions) as the organisation typically over recovers against the income budget. |
| Other movements (net) | 0.6 | Other movements. |
| Total | 0.1 | |

10 Forensic Services & SPA Corporate Budget

| | 2018/19 Budget £m | 2019/20 Budget £m | Movement £m |
|-------------------|-------------------------|-------------------------|----------------|
| Forensic Services | 30.6 | 30.2 | -0.4 |
| SPA Corporate | 4.1 | 4.5 | 0.4 |
| Total | 34.7 | 34.7 | 0.0 |

| | Movement £m | Description |
|--|----------------|--|
| Forensic Services & Police Staff Costs | 0.8 | Increase in staff salaries and overtime (pay award £0.7m, uplift in cost (£1.1m), offset by higher vacancy rate (£1.0m). |
| Remove Forensic Services outsourcing 2018/19 | -2.1 | Non-recurring out-sourcing of biology casework. |
| Additional outsourcing costs 2019/20 | 0.9 | Additional outsourcing requirements in 2019/20. |
| SPA Corporate Police Staff Costs | 0.1 | Increase in staff salaries (pay award). |
| Reversal of 18-19 Savings | 0.2 | Reversal of 18-19 savings target. |
| Other movements | 0.1 | Training £42k, Public Engagement & Communication £20k, other small movements £50k |
| Total | 0.0 | |

11 Funding

- 11.1 The Scottish Government Budget for 2019/20 was approved by the Scottish Parliament on 21 February 2019.
- 11.2 This budget allocation includes £19.1m of additional revenue funding in line with Scottish Government's commitment to providing real terms protection for the Authority budget (for each year of the current Scottish parliamentary term) and £11.2m contribution towards the police officers' pay award. The core allocated funding is £3.8m less than assumed in the Authority's three year financial plan.
- 11.3 If the Board agree the budget for 2019/20 as proposed it will include an additional £17m for the costs relating to Brexit and a core operating deficit of £24.6m. All measures possible will be taken to minimise this deficit throughout the year.
- 11.4 The Scottish Government has written to HM Treasury to seek additional funding for the increased costs associated with Brexit. This represents a significant deviation from the three year financial plan, and without additional funding, it will prevent the Authority from achieving financial sustainability by 2020/21.
- 11.5 The table below highlights the change in funding between 2018/19 and 2019/20.

| Funding | 2018/19 | 2019/20 | Movement | |
|---|----------------|----------------|--------------|-------------|
| | £m | £m | £m | % |
| Revenue – Core | 1,064.8 | 1083.9 | +19.1 | 1.8% |
| Revenue – Contribution to Pay Award | 0.0 | 11.2 | +11.2 | - |
| Capital Funding and Capital Receipts ¹ | 41.6 | 43.1 | +1.5 | 3.6% |
| Reform | 25.0 | 25.0 | 0.0 | 0.0% |
| Total Funding | 1,131.4 | 1,163.2 | +31.8 | 2.8% |

¹2019/20: Scottish Government funding £35.0m; Police Reform funding to support transformational investment £4.6m; and Capital Receipts £3.5m. Assumes reinvestment of all capital receipts is permissible.

- 11.6 Revenue funding represents budget for current expenditure such as staff costs and goods and services. As outlined the Authority is anticipating an operating deficit in 2019/20. The Scottish Government is fully aware of this situation and is committed to supporting the Authority to manage this position throughout the year.
- 11.7 The revenue cost of employers pensions contributions for police officers are not included in the overall funding allocation. This budget is held and managed by the Scottish Government separately. The Authority 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).
- 11.8 Capital funding represents budget for new investment. The Authority is also permitted, subject to Scottish Government approval, to use disposal proceeds to reinvest in further capital expenditure. Capital funding has increased by £12m in 2019/20, however this is still significantly less than required to meet the full transformation programme and to maintain core assets.

- 11.9 Reform funding is available to support transformational change. Total revenue reform funding of up to £25m is available to the Authority and there are proposals to fully utilise this funding.
- 11.10 In addition to the above funding the Authority 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, including: 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 proposed capital plan has been developed through collaboration between the finance function, operational and commercial business areas and the change function. The Police Scotland Capital Investment Group (CIG) is accountable for the prioritisation of the investment portfolio in line with policing priorities and business need. This Group meets on a quarterly basis to review progress against the capital plan and assess changes to the capital priorities where necessary.
- 12.2 Rolling capital programmes are established for “business as usual” investments in six key areas (Forensic Services, Fleet, Estates, ICT, Specialist Policing Equipment and Weaponry), each of which has a lead as the responsible budget holder. Finance worked closely with responsible budget holders to compile and assess priorities, and to produce capital bids for each of the rolling programmes. Finance also worked in collaboration with programme and project managers within the change function to produce capital bids for activities that form part of the transformation change portfolio.
- 12.3 The capital funding for 2019/20 is less than required to meet the full transformation programme and to maintain core assets. The November 2018 revision to the three year financial plan assumed £99.3m of capital, including the impact of the full DDICT business case. Subsequent capital bids received by the CIG – reflecting unconstrained demand - totalled £109m for 2019/20 (£61.7m of ‘business as usual’ investments, £44.4m of ‘change’ investments and £2.6m for SPA Corporate and Forensic Services).
- 12.4 The CIG met on 19 December 2018 and 23 January 2019 to discuss proposals for the allocation of the capital and reform funding. Bids were assessed and prioritised based on a number of key criteria, including:
- Health and safety / regulatory
 - Contractual commitments
 - Operational and reputational risk
 - Benefits realisation / value for money.
- 12.5 A summary of the proposed capital allocation is shown below.

| | 2018/19 £m | 2019/20 £m |
|---|---------------|---------------|
| Police Scotland capital expenditure | 40.5 | 43.4 |
| Forensic Services capital expenditure | 1.1 | 1.7 |
| Slippage Management | 0.0 | -2.0 |
| Total Capital Expenditure | 41.6 | 43.1 |
| Capital Funding | -23.0 | -35.0 |
| Capital Receipts | -14.0 | -3.5 |
| Capital Investment from Reform to Support Transformational Change | -4.6 | -4.6 |
| Total Funding | -41.6 | -43.1 |

Further detail on the themes of proposed capital spend for 2019/20 is shown below.

| Capital Expenditure Plan | 2019/20 Nov 18 3 year plan £m | 2019/20 Budget Allocation £m |
|---|--|---------------------------------------|
| Estates | 8.5 | 4.3 |
| Fleet | 11.2 | 2.9 |
| ICT | 10.4 | 6.1 |
| Specialist Policing Equipment | 4.0 | 2.8 |
| Weaponry | 1.9 | 2.1 |
| Total Business as Usual | 36.0 | 18.2 |
| Mobility | 11.0 | 10.7 |
| Core Operating Solutions. | 8.3 | 5.9 |
| National Network | 2.3 | 3.3 |
| ADEL | 1.4 | 1.3 |
| Digital ICCS | 1.1 | 1.5 |
| National Cybercrime Infrastructure / Cyber Security | 5.7 | 0.0 |
| GDPR and Data Projects | 16.9 | 0.0 |
| Business Change and Programme Management | 4.2 | 0.0 |
| Digital Evidence Platform | 5.4 | 0.0 |
| Custody and Productions Remodelling | 5.3 | 0.0 |
| TS21C | 0.0 | 0.9 |
| Estates Transformation | 0.0 | 0.5 |
| Cyber Resilience | 0.0 | 0.5 |
| ANPR | 0.0 | 0.4 |
| Payroll | 0.0 | 0.1 |
| Forensic Services | 0.0 | 0.1 |
| Other | 0.6 | 0.0 |
| Total Transformation | 62.2 | 25.2 |
| Total Police Scotland | 98.2 | 43.4 |
| SPA Corporate | 0.0 | 0.0 |
| Forensic Services (Business as Usual) | 1.1 | 1.7 |
| Slippage Management | 0.0 | -2.0 |
| Total SPA | 99.3 | 43.1 |

- 12.6 To date, there has been limited investment in the Police Scotland's technology infrastructure, resulting in many end-of-life legacy systems, poor integration and operational inefficiencies. The DDICT outline business case set out a multi-year ICT strategy and investment requirement to replace ageing infrastructure and build the level of capability demanded of a 21st century Police Force. Full delivery of this programme is essential to achieve the desired operational and financial benefits from transformation.
- 12.7 As previously noted, there is insufficient funding in 2019/20 to deliver the business case in full. Key elements, including Mobility and Core Operating Solutions, have been prioritised and an extended delivery timeline has been developed for the outstanding projects.
- 12.8 A number of projects, including Custody, Productions and Estates transformation, were unsuccessful in their capital bids or received a significant reduction in funding. Without the necessary funding

there is a clear risk to the overall delivery of the Policing 2026 strategy and the associated benefits, and potential operational impacts from ageing assets.

13 Reform Budget 2019/20

- 13.1 The Scottish Government has continued to provide additional Police Reform funding to be used to support change and the transformation of policing.
- 13.2 The investment governance framework for business change takes consideration of the three distinct Scottish Government funding sources – capital, revenue and reform. Business cases requesting access to reform funding must demonstrate alignment to the strategic priorities of the Authority.
- 13.3 Business cases are considered internally for approval in the first instance and are then approved by the SPA Chief Executive, the Board and Scottish Government before funding will be released.
- 13.4 The use of reform funding is separately monitored and reported 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 proposed 2019/20 allocation is shown below.

| Revenue Reform | 2019/20 Nov 18 3 year plan £m | 2019/20 Budget Allocation £m |
|---|--|---------------------------------------|
| Transformation Resource | 8.7 | 6.3 |
| <u>Committed Expenditure</u> | | |
| Payroll | 0.0 | 0.1 |
| Commercial Excellence | 0.0 | 0.5 |
| National Network | 2.0 | 1.5 |
| SPRM Implementation and Pay Protection ¹ | 9.8 | 9.8 |
| Demand, Productivity and Performance | 0.0 | 0.3 |
| Mobility | 1.6 | 0.9 |
| Core Operating Solutions | 0.7 | 2.2 |
| Digital ICCS | 0.0 | 0.2 |
| Workflow Management | 0.2 | 0.0 |
| <u>Planned Expenditure</u> | | |
| Professional Services ² | 4.0 | 0.0 |
| Purchase-to-pay | 0.0 | 0.3 |
| Contact Assessment Model | 0.0 | 1.3 |
| Transforming Corporate Support Services | 17.1 | 1.0 |
| Operational Policing Transformation | 0.1 | 0.1 |
| Cyber Capability | 0.0 | 0.3 |
| Voluntary Early Retirement / Redundancy | 4.0 | 1.0 |
| Technical Surveillance 21 st Century | 0.0 | 0.2 |
| Cyber Resilience | 0.0 | 0.2 |
| Other | 2.0 | 0.1 |
| Total Committed & Planned Expenditure | 50.2 | 26.2 |
| Slippage Management | 0.0 | -1.2 |
| Total Committed & Planned Expenditure | 50.2 | 25.0 |

¹Includes year 1 of new ongoing costs (£7.3m) for which no additional revenue funding has been received.

²An estimate of 2019/20 professional services spend of up to £2.1m is included within individual programmes' costs, as per the table at 13.6 below.

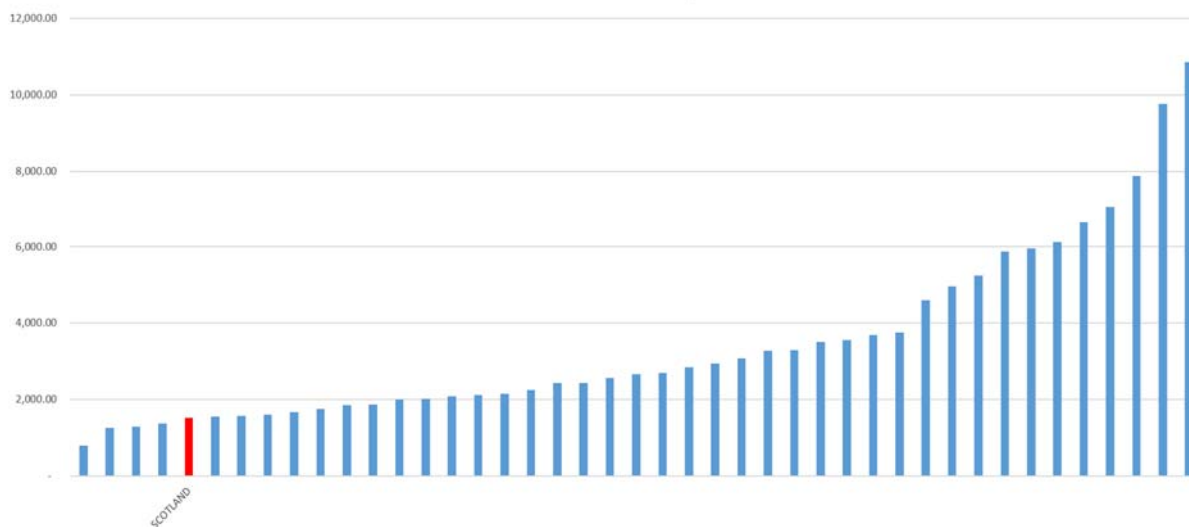
- 13.5 A number of projects are in progress and are shown as “committed expenditure” in the table above. As with capital, key elements of the DDICT programme have been prioritised and funded in full. Transforming Corporate Support Services received a significant reduction and a number of other projects were deprioritised due the availability of limited funding. As outlined above, without adequate funding there is a significant risk to the overall delivery of the Policing 2026 strategy and the associated operational and financial benefits.
- 13.6 Within the proposed allocation of reform funding, it is expected that some professional services costs will be incurred in support of activities that require, or would benefit from, the involvement of an external delivery partner. The following table shows indicative spend of up to £2.1m based on current estimates. As plans are further developed during the year, business need and value for money considerations may result in changes to the proposed professional services costs prior to business case approval.

| Indicative Professional Services Costs | 2019/20 Budget Allocation £m |
|---|---------------------------------------|
| Commercial Excellence | 0.5 |
| Demand, Productivity and Performance | 0.3 |
| Purchase-to-pay | 0.3 |
| Transforming Corporate Support Services | 1.0 |
| Total | Up to 2.1 |

14 Impact of Budget Allocations and Operational Risk

- 14.1 While the Authority recognises that the proposed capital and reform allocations (detailed in sections 12 and 13) enable the delivery of some key strategic outcomes, the high proportion of revenue funding committed to workforce costs presents a significant challenge in continuing to absorb non-pay pressures.
- 14.2 Therefore, within the funding available there will need to be significant prioritisation, and in the short-term at least a trade-off, between the need to maintain, develop and protect our core infrastructure and the strategies and investment to enable the planned transformation of Police Scotland into a 21st Century policing service. As such, the high-quality facilities the Authority wishes to provide to officers and staff will take longer to deliver, and will in parallel result in continuing costs in maintenance and repairs. Officers and staff from all areas of policing and forensic services continue to deliver a high level of public service despite these constraints.
- 14.3 For context, Police Scotland capital funding per head compared with other UK forces is shown below¹. While this is in part a reflection of the policy and operational decisions to maintain the policing workforce at historically high levels in comparison with the significant reductions in other parts of the UK, the graph demonstrates how challenging the decision-making around priorities is likely to be.

Capital Expenditure spend per employee by UK Police Force in 2017/18



- 14.4 As a practical example of that disparity, Police Scotland spends £9 per square metre on maintaining its estate compared with a UK police force average of £38 per square metre.
- 14.5 The proposed apportionment of funding across all categories of expenditure has been carefully considered and subsequently approved through formal SPA and Police Scotland governance, using the risk-based approach to decision making where appropriate.

¹ Benchmarking data has come from the CIPFA Police Benchmarking dataset 2017/18. All references to other police services have been anonymised in accordance with CIPFA requirements.

14.6 **Business As Usual (BAU)** - The impact on BAU **rolling programmes of investment** of an allocation of £19.9m (Police Scotland and Forensic Services) can be summarised as follows.

- **Estates** – the level of funding we have allocated to estates does mean, for example, that the budget available for repairs, maintenance and transformation has been reduced. In all cases the focus will remain on a ‘health & safety first’ approach for all officers, staff and the public.
- **Fleet** – Police Scotland will ensure that the fleet continues to meet its 95% availability target, however vehicles will be replaced less frequently with the result that the fleet has to spend more time off the road undergoing (more expensive) repairs and incurs higher fuel costs. The budget proposal is to spend capital of circa £1,500 per vehicle for replacement, with a number of other UK police forces spending more than £2,000 per vehicle.
- **ICT** – some fundamental refresh activities cannot be progressed to the required standard (e.g. desktops, printers and other ICT infrastructure), continuing reliance on outdated technologies and equipment.
- **Specialist Policing Equipment** – Police Scotland will continue to maximise the utility of existing equipment, however there will inevitably be constraints in the service’s ability to invest in new and advance technologies at the desired pace.
- **Forensic Services** – while investment over the past decade in forensic services has allowed Scotland to lead the UK in some areas of scientific capability, such as DNA analysis, breakthroughs in techniques and technology are fast-moving in this field and further opportunities to solve crime and provide irrefutable evidence for conviction which become available internationally may be slower to be adopted in Scotland.

14.7 **Transformation** - The November 2018 revision to the three year financial plan assumed £62.2m of capital spend for the transformation portfolio, including delivery of the DDICT outline business case in full. **Transformation** capital spend is constrained to circa £25m² and, as with BAU, Police Scotland have proposed allocating budget to programmes on a risk-based basis, with the following effect on transformation planning and key projects:

- **Transforming Corporate Support Services (TCSS)** – Police Scotland will move tactically, where funding is available, to replace legacy processes, structures and technology. Where possible, the continuing risk, inefficiency, expense, and administrative burden on officers and staff will be mitigated by making incremental improvements and in moving to the revised operating model for TCCS, including developing a business case to invest in a technology solution (an Enterprise Resource Planning (ERP) system) to provide the platform and service wide consistent processes and structures for a fully integrated and efficient corporate services.

² Police Scotland and Forensics BAU + Transformation capital spend of £45m before applying “slippage management” challenge of £2m to reflect overall funding of £43m.

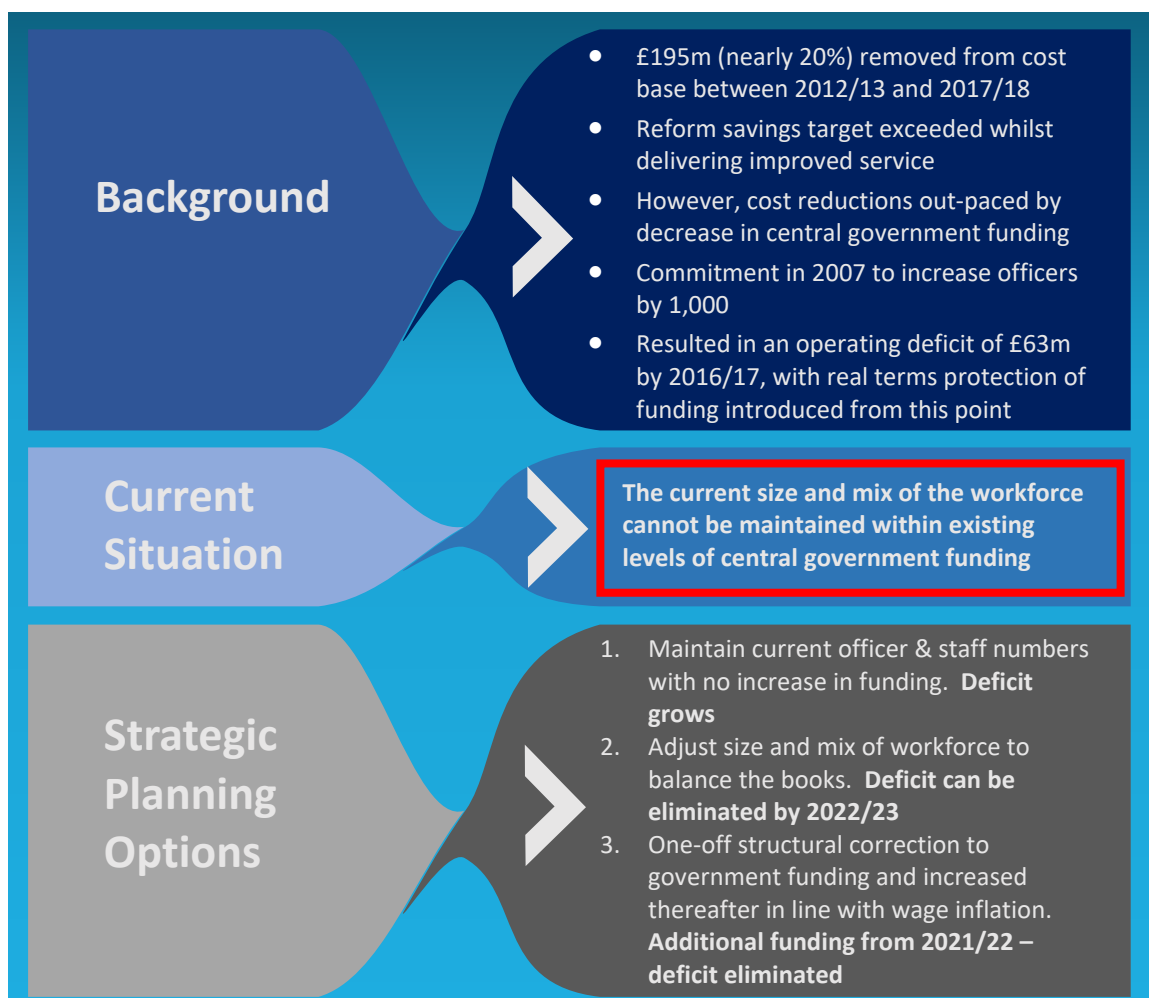
- **Custody & Productions Remodelling** – the authority is conscious of the need to make progress on HMICS recommendations and deliver urgent improvements in the productions management capability which may not be possible to fully discharge in the coming year.
- **National Cybercrime Infrastructure / Cyber Security** – planned upgrades to security software and infrastructure may require to be rescheduled, making crime detection more challenging as criminal technology grows in sophistication.
- **Estates Transformation** – a number of collaboration opportunities that have been identified with local partners across Scotland may not be able to be progress as quickly as hoped. A priority will be the progress of a new and compelling estates strategy to make the strong case for future investment in improving the operating environment for all officers and staff in line with the objective to proactively look after their well-being, and to provide future collaboration opportunities to improve services to the public.
- **DDICT** – after allocating a share of capital funding to BAU investment, there has been a need to focus DDICT related investments, prioritising mainly on Mobility and Core Operational Policing systems.
- **GDPR and Data Projects** – existing data retention issues will take longer to resolve, potentially resulting in the risk of financial and reputational exposure in future years.
- **Forensic Services** – mobile solution for scene attendance time recording may have to await future funding availability.

14.5 **Revenue** – Absorbing inflationary / price growth in **revenue non pay** costs requires specific actions to maintain services to the public, including the reduction of internal demand and service levels.

- **Estates** – services will focus on meeting minimum legal requirements of statutory / mandatory maintenance and emergency repairs with critical buildings given priority.
- **ICT** – absorbing price and demand pressures for software licencing, IT maintenance and Airwave peripheral costs will require compensating savings (under development) that are likely to impact business needs and service levels.

15 Medium Term Financial Planning Options

- 15.1 The 3 Year Financial Plan agreed by the Board on 2 May 2018 articulated a route to eliminating the Authority’s operating deficit by 2020/21 whilst supporting the Policing 2026 Delivery Plan.
- 15.2 An interim update of the plan was reviewed by the SPA Resources Committee in November 2018, which confirmed the achievability of a balanced budget by 2020/21. This update incorporated the impact of a number of key developments since May, including police officers’ pay award, the Staff Pay and Reward Modernisation (SPRM) programme and the Digital, Data and ICT strategy.
- 15.3 As the next steps in the development of the financial strategy are being considered, there are additional significant challenges to delivering a balanced budget in line with our previously stated plans, including:
- The impact of the circa 400 officers required as a result of Brexit.
 - The quantum of legitimate inflationary pressures being addressed in the 2019/20 budget.
 - The level of central government funding granted in respect of revenue, capital and reform.
 - The degree to which transformational change can be delivered, and the impact on capacity created as a result.
- 15.4 As the various supporting strategies (e.g. ICT, Workforce and Estates) are being developed to reflect the above, it is proposed that a detailed multi-year financial strategy is presented to the Board for approval in the second half of this calendar year. The table below sets out the indicative three broad options available in terms of strategic / corporate level planning assumptions.



Appendix: Proposed Charges for Events and Other Services

- 1.1. At its meeting on 26 August 2013, the SPA Finance and Investment Committee approved a policy of full cost recovery in relation to charging for policing of events and other services where the charges are not already set by statute. The policy is in line with the requirements of the Scottish Public Finance Manual (SPFM).
- 1.2. The Police and Fire Reform (Scotland) Act 2012 (sections 86 and 87), the Scottish Police Authority (Provision of Goods and Services) Order 2013 and other supporting legislation enables the Authority to both provide and charge for goods and services.
- 1.3. The charge out rates have been calculated using the methodology set out in the National Police Chief's Council's (NPCC) Guidelines on Charging for Police Services (April 2015). As such, the basis of Police Scotland charges is similar to other UK Forces and is also in line with the full cost recovery model as required in the Police and Fire Reform (Scotland) Act 2012. Charges are set for three broad categories:
 - 1.3.1. Charge out rate – Officers (table 1).
 - 1.3.2. Charge out rate – Staff (table 2).
 - 1.3.3. Charges for non-statutory services (table 3).
- 1.4. In relation to the charge out rate for officers, two options are presented:
 - 1.4.1. Option 1 – apply the full uplift, and full cost recovery, in 2019/20.
 - 1.4.2. Option 2 – spread the cost increase over a two year period (19/20 and 20/21).

The SPA Resources Committee recommends to the Board the adoption of Option 2.

Table 1: Charge Out Rate - Officers

| Police Officer | Current Rate | Option 1* | | | | Option 2** | | | |
|----------------------|--------------|---------------|------------|---------------|------------|---------------|------------|---------------|------------|
| | | From 01.04.19 | % Increase | From 01.04.20 | % Increase | From 01.04.19 | % Increase | From 01.04.20 | % Increase |
| Chief Superintendent | £100.50 | £104.50 | 4.0% | £104.50 | 0.0% | £102.50 | 2.0% | £104.50 | 2.0% |
| Superintendent | £87.00 | £92.50 | 6.3% | £92.50 | 0.0% | £90.00 | 3.4% | £92.50 | 2.8% |
| Chief Inspector | £69.00 | £74.00 | 7.2% | £74.00 | 0.0% | £71.50 | 3.6% | £74.00 | 3.5% |
| Inspector | £64.50 | £70.50 | 9.3% | £70.50 | 0.0% | £67.50 | 4.7% | £70.50 | 4.4% |
| Sergeant | £64.50 | £70.50 | 9.3% | £70.50 | 0.0% | £67.50 | 4.7% | £70.50 | 4.4% |
| Constable | £53.00 | £60.00 | 13.2% | £60.00 | 0.0% | £56.50 | 6.6% | £60.00 | 6.2% |
| Special Constables | £24.00 | £24.00 | 0.0% | £24.00 | 0.0% | £24.00 | 0.0% | £24.00 | 0.0% |

* Based on the events budgeted for as part of the 19/20 Budget, option 1 would generate an additional £787k of events income in 19/20 and £787k of income in 20/21, a total of £1,574k over both years.

** Based on the events budgeted for as part of the 19/20 Budget, option 2 would generate an additional £394k of events income in 19/20 and £787k of income in 20/21, a total of £1,181k over both years.

The key movements in the charges relate to:

- The increase in cost based on the agreed pay award of 6.5% for all police officers from 1 September 2018. Please note that the charges for 2018/19 were based on the application of Public Sector Pay Policy (an increase of a blended rate of circa 2.7% across all ranks). The increase from this blended rate of 2.7% to the actual award of 6.5% has not been applied from 1 September 2018 to 31 March 2019.
- The 7.1% increase in the police officer pension employer's contribution rate from 1 April 2019 (23.1% to 30.2%) following a change in the UK Government's discount rate applied to unfunded public service pensions. This rate increase will impact on all UK Police Forces.
- Other minor adjustments to the calculation methodology to take account for the application of the working time directive, and to take account of actual training undertaken and actual sickness level when determining productive hours for each rank.

Table 2: Charge Out Rate – Staff

As a result of the introduction of Staff Pay and Reward Modernisation (SPRM) from 1 April 2019, a direct comparison between rates applied from 1 April 2018 and 1 April 2019 cannot be made. Therefore rates for both periods are detailed below.

| Police Staff Current Rate From 01.04.2018 | Grade A | Grade B | Grade C | Grade D | Grade E | Grade F | Grade G | Grade H | Grade I | Grade J | Grade K |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | £25.00 | £28.50 | £31.00 | £34.50 | £40.50 | £47.00 | £42.00 | £47.50 | £53.50 | £60.00 | £69.00 |

| Police Staff Proposed Rate From 01.04.2019 | Grade 1 | Grade 2 | Grade 3 | Grade 4 | Grade 5 | Grade 6 | Grade 7 | Grade 8 | Grade 9 | Grade 10 | Grade 11 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|
| | £28.00 | £31.50 | £34.50 | £38.50 | £44.00 | £50.50 | £45.00 | £51.50 | £59.00 | £67.50 | £75.00 |

The key movements in the charges relate to:

- The introduction of SPRM from 1 April 2019.
- The increase in cost based on the anticipated application of pay awards, in line with Public Sector Pay Policy, from 1 April 2019. This has been budgeted at 3% for those earning under £36k and 2% for those earning between £36k and £80k.

Table 3: Charges for Non Statutory Services

| NB: Rates are exclusive of VAT | | |
|---|---------------------|------------------------------|
| Charges for Non Statutory Services – Accident Reports & Other Services | | |
| ITEM | Current Rate | Proposed 2019/20 Rate |
| Supply of Accident Reports | £100.00 | £102.00 |
| Search Fee (where the police have no information) | £100.00 | £102.00 |
| Interview (after copy of accident report has been applied) | £164.50 | £167.50 |
| Supply of Photographs: | | |
| per Print | £7.00 | £7.00 |
| per Photocopy | £5.00 | £5.00 |
| CD – per disk | £22.00 | £22.50 |
| Supply of Video / DVD: | | |
| ½ hour video/DVD | £76.50 | £78.00 |
| 1 hour video/DVD | £109.50 | £111.50 |
| 3 hour Video /DVD | £237.00 | £241.50 |
| Supply of information about thefts, house breaking and occurrences | £100.00 | £102.00 |
| Crash Investigator Accident Report | £473.50 | £482.00 |
| Scale Plan (A3) | £130.50 | £133.00 |
| Scale Plan (A1) | £261.50 | £266.00 |
| 3D Construction + preparation time | £653.50 | £665.50 |
| Alarm Registration | £48.50 | £49.50 |
| Supply of Plans – Charges will depend on the type of service provided and equipment used. | | |

The key movement in the charges relates to the application of CPI (1.8%, published January 2019).