

Meeting	Authority Meeting
Date	24 March 2021
Location	Video Conference
Title of Paper	Draft Budget 2021/22
Presented By	James Gray, Chief Financial Officer
Recommendation to Members	For Approval
Appendix Attached	Yes: A - Draft Budget 2021/22 B - Schedule of Rates for Events and Other Services 2021/22

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 presents the proposed 2021/22 Revenue, Capital and Reform budgets for final approval.

The proposed budgets do not account for the cost of morbid toxicology or COP26, both of which are assumed be funded in full by Scottish and UK Governments.

1. BACKGROUND

- 1.1 The SPA has a statutory duty to agree its annual budget for the coming financial year (2021/22) before the end of the current financial year (31 March 2021).
- 1.2 The Corporate Finance and People Board and SPA Resources Committee approved the budget strategy in September 2020 which continues to develop the Zero Based Budgeting (ZBB) approach adopted in the previous year.
- 1.3 The Scottish Government's draft budget announcement on the 28 January 2021 confirmed a £60m uplift in core revenue funding to eliminate the structural deficit and fund a pay award of ~1%. The budget announcement also confirmed that an additional £15m of one-off funding will be provided to support the in-year impact of COVID.
- 1.4 The funding settlement determines our affordability for pay negotiations. As noted above, the settlement announced on 28 January allows for a pay award in line with the draft PSPP (~1%). It does not provide any flexibility to offer a pay award in line with the revised provisions given that this is a more costly option. Therefore, on the basis of affordability, the 2021/22 revenue budget is based on draft PSPP (~1%) at an additional cost of £10.8m.
- 1.5 Discussions are ongoing with Scottish Government to secure additional funding to support the revised provisions of PSPP. If additional funding is secured, this will be received as a budget revision throughout the year and the officer and pay budgets will be updated accordingly.

2. FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 High level financial modelling carried out in 2020 in support of spending review discussions suggested a 'baseline' deficit of around £50m, before pay award or new investment. This assumed a return to near-normality in 2021/22.
- 2.2 Recent events, including the implementation of a second lockdown, meant that a £50m deficit target was no longer achievable given the likely impact on costs and income.

OFFICIAL

- 2.3 Prior to the announcement of the Scottish Government's proposed budget for 2021/22, our bottom up budget submissions also highlighted an in-year impact of COVID of £15m that could not be absorbed within the previously modelled £50m target.
- 2.4 This was supported by the independent risk assessment of the proposed budget which confirmed that the vast majority of the **core operating budget** falls into the **high/very high risk category** across health & safety, public confidence and service delivery.
- 2.5 The draft Scottish Government budget announcement provides for a £60m uplift in core revenue funding, as well as an additional £15m of one-off funding to support the impact of COVID. When combined, the total funding allocation allows the SPA to set a **balanced budget** with **no operating deficit** for 2021/22.
- 2.6 The SPA's funding allocation for capital and reform has been proposed at flat cash for 2021/22, with the exception of an additional £0.5m to support Body Worn Video. When combined with disposal proceeds, the total funding available is £53.7m for capital and £25.0m for Reform.
- 2.7 Details of the 2021/22 budget requirement and agreed funding allocations are detailed in the Draft Budget report at **Appendix A**.
- 2.8 The costs of morbid toxicology and COP26 **do not** form part of this budget. These costs are assumed to be funded in full by Scottish and UK Governments, resulting in no financial detriment to Police Scotland / SPA.
- 2.9 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 Scottish Police Authority to both provide and charge for goods and services.
- 2.10 The charge out rates have been increased for 2021/22 in line with the budgeting assumptions contained in the proposed budget. Should additional funding be secured from Scottish Government to support an increased pay award, the charge-out rates will be updated accordingly, subject to some exceptions for Government approved schemes.

- 2.11 Any changes to fees which are set by statute will be applied as they occur. The charges for other non-statutory services are proposed to be uplifted in line with the NPCC guidance and the Consumer Price Index (CPI).
- 2.12 Details of the proposed charges for events and other Services are included at **Appendix B**
- 2.13 This paper was presented to the SPA Resources Committee on 18 March 2021 where members made a recommendation to the Authority to approve its contents.

3. FINANCIAL IMPLICATIONS

- 3.1 The financial implications are set out in detail within the report.

4. PERSONNEL IMPLICATIONS

- 4.1 The extent of savings required could have an impact on both the number and nature of posts in the organisation. Full consultation will be undertaken in connection with any personnel issues associated with specific savings proposals.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications associated with this paper. There may be such implications as a result of underlying plans or projects, these will be considered in relation to each project as appropriate.

6. REPUTATIONAL IMPLICATIONS

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

7. SOCIAL IMPLICATIONS

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

8. COMMUNITY IMPACT

- 8.1 There is no direct community impact associated with this paper.

9. EQUALITIES IMPLICATIONS

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

10. ENVIRONMENT IMPLICATIONS

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

RECOMMENDATIONS

Members are asked to **APPROVE** the:

- Scottish Police Authority draft Budget 2021/22; and
- Schedule of Rate for Events and Other Services 2021/22.



POLICE
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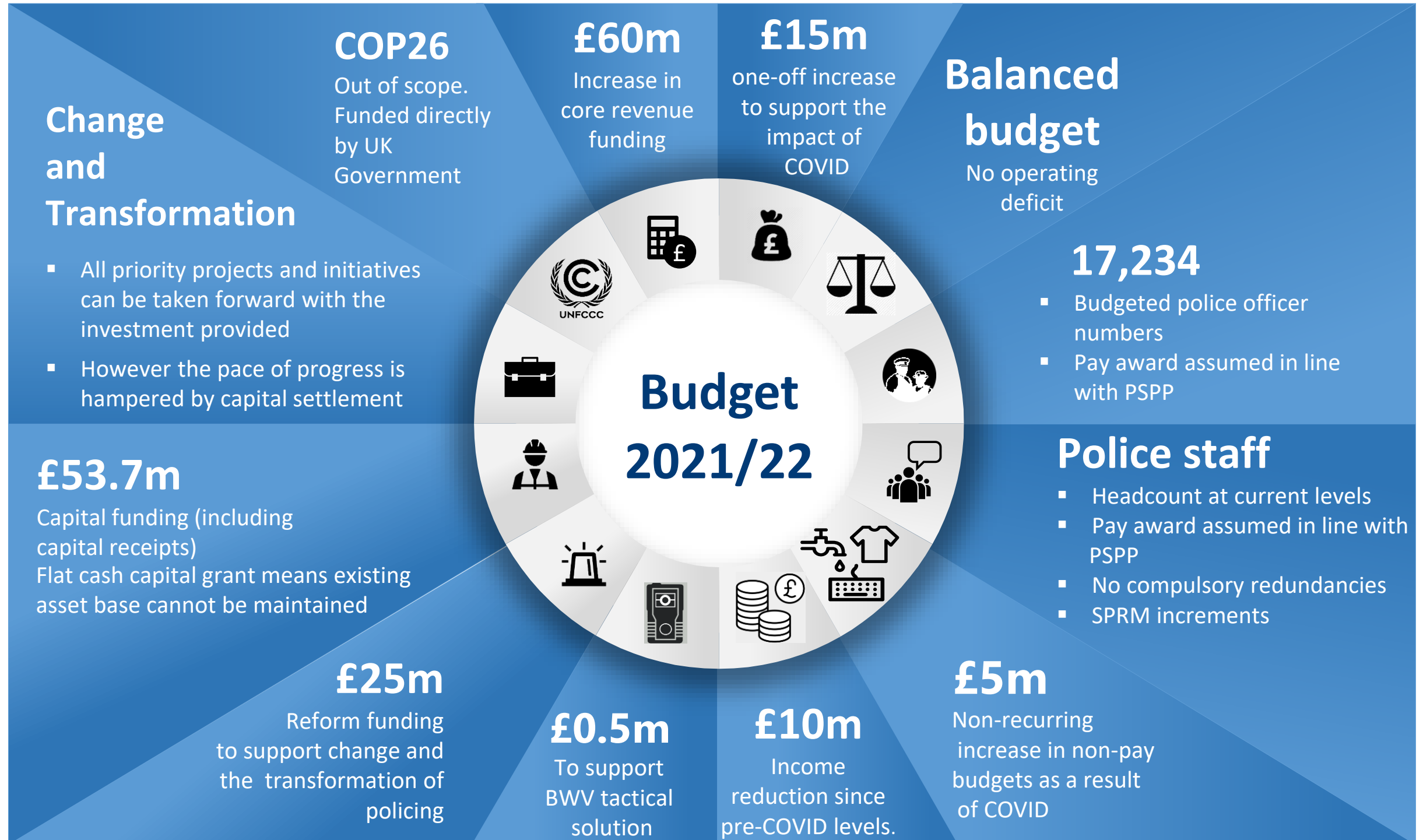
SCOTTISH POLICE
AUTHORITY

FINANCE

Budget 2021/22

SPA Board
24 March 2021

2021/22 budget highlights



Operational context

Responsive and accessible local policing lies at the heart of Police Scotland's purpose and identity.

It is the strong relationship of trust policing in Scotland has with our fellow citizens from which we draw our legitimacy.

We know communities and their policing needs are always changing and we are committed to constant improvement to protect the people of Scotland from threat, harm and risk in the public, private and virtual spaces.

Upholding the law, protecting victims of crime and bringing offenders to justice is critical to maintaining the respect with which policing is held in Scotland.

While overall recorded crime has reduced in recent years, increasingly complex offences require time and expertise to investigate while incidents, particularly those involving vulnerability, demand a co-ordinated, multi-partner response which upholds everyone's human rights.

Policing must continue to enhance our capacity and capability to ensure we can respond fully to the changing nature of crime as well as changing community needs, public expectations and legislative requirements. Additionally, we have an important role in supporting major events in Scotland, the UK, and beyond, as demonstrated by the COP26 climate change summit which will be hosted in Glasgow this year.

Our response to the pandemic has underlined the broad remit of policing, as enshrined in the 2012 Act, to maintain wellbeing and support communities, going far beyond only law enforcement. Along with other critical incidents, our response to coronavirus has demonstrated the pivotal role of a national policing service in the planning, co-ordination and support of multi-agency responses.

It is the challenge of all public services to ensure that, in a rapidly changing world, when people need help, they get it at the right time from the right people and, where required, on an ongoing basis.

Our Strategic ambition, covering how we develop our buildings, fleet, technology, response to cyber threats and our workforce can help to ensure this is achieved in a modern, flexible and collaborative way which supports value to the public. Reform of policing in Scotland has transformed the way we respond to serious crime and major incidents while at the same time returning £200m to the public purse every year compared to legacy arrangements and change must continue to be driven with rigour.

It is vital that where efficiencies and benefits are achieved, we consider how they can be invested into supporting the safety and wellbeing of our people and enabling them to improve the lives of our communities as set out in our strategic objectives and in support of the Scottish Government's national outcomes.

Policing, so often the service of last resort, will not step away from people in crisis where they have nowhere else to turn.

The police service is and will always be there for our fellow citizens.

Summary

Executive summary

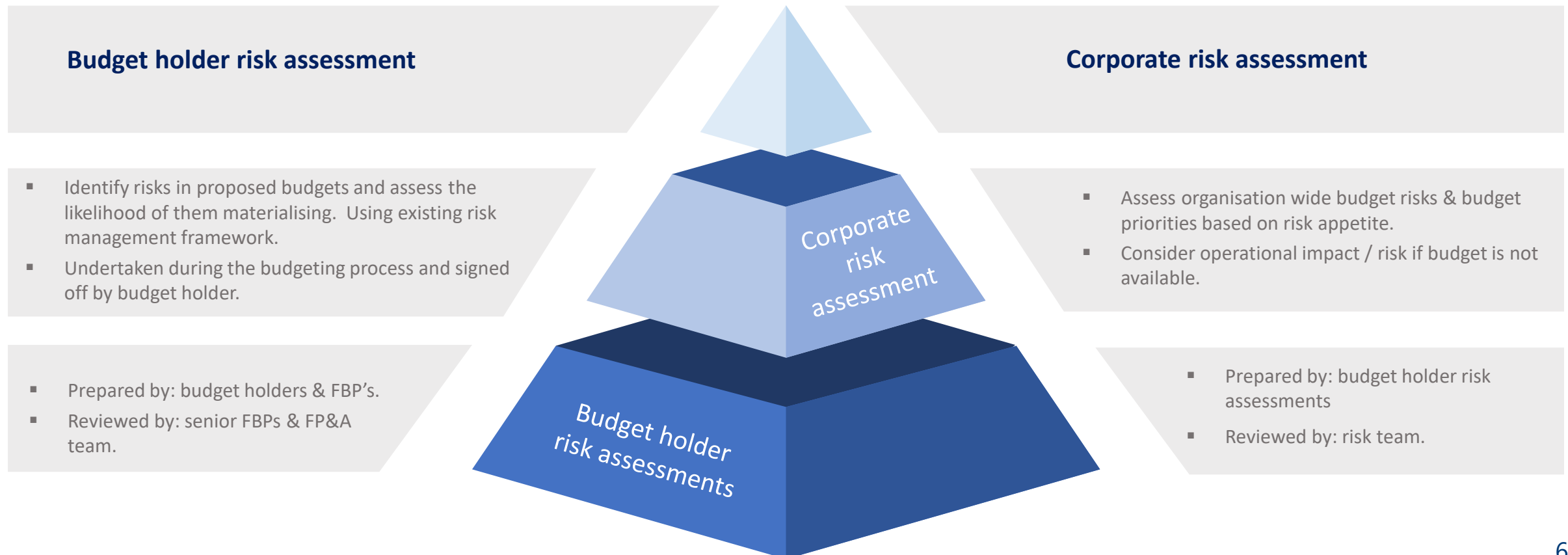
- The 2020/21 budget was initially set with a £36m operating deficit and included £17m of year-on-year non pay growth to address areas of historic under-investment and high operational risk.
- As the societal impact of COVID-19 started to emerge in early 2020, a reduction to income of £8m was made prior to the finalisation of the budget. The budgeted deficit for this year became £44m as a result.
- High level financial modelling carried out in 2020 in support of spending review discussions suggested a 'baseline' deficit of around £50m in 2021/22, before pay award or new investment. This assumed a return to near-normality in the next financial year.
- Recent events, including the implementation of a second lockdown, meant that a £50m deficit target was no longer achievable given the likely impact on costs and income.
- Prior to the announcement of the Scottish Government's proposed budget for 2021/22, our bottom up submissions also highlighted an in-year impact of COVID of £15m that could not be absorbed within the previously modelled £50m target.
- The Scottish Government's draft budget was announced on 28 January 2021, confirming that an additional £60m of core funding will be provided to eliminate the structural deficit and fund a pay award of ~1%.
- It was also confirmed that £15m of one-off additional funding will be provided to support the in-year impact of COVID. When combined with the 'core' funding of £60m, this allows the SPA to set a balanced budget with no operating deficit.
- The SPA's funding allocation for capital and reform has been proposed at flat cash for 2021/22, with the exception of an additional £0.5m to support Body Worn Video. Budget allocations have been reviewed and prioritised by the Capital Investment Group and final proposals include all regulatory / mandatory spend; committed spend; critical spend; difficult to stop spend; and a number of discretionary reform funded projects.
- The financial impact of the UN climate change conference (COP26) is outside the scope of this report and work to determine the funding for this event is being separately considered.

Budget approach

- The budget strategy for 2021/22 focuses on further enhancing the zero-based budgeting approach introduced in the previous year.
- Each budget holder was required to assess, prioritise and plan the budget requirements for their business area to provide an estimated cost of the current level of service to agreed standards. **No arbitrary cost targets for budget holders were set.**
- Budgeting for pay costs is based on a baseline position using actual payroll data, supplemented by proposals for new roles and hence a change in workforce mix.
- A **risk impact assessment** was requested as part of the 2021/22 budget build. The results of this work can be found at slide 17.

Summary and evolution of budgeting approach

	2019/20	2020/21	2021/22
Pay	Incremental	Incremental	Base position advanced to reflect changes
Non-pay	Incremental	ZBB (light) Priority based budget pilot	ZBB <i>refined further</i>
Income	Incremental	ZBB (light)	ZBB



Funding

Funding

- The draft Scottish budget was published on 28 January 2021.
- This budget includes £60m of additional core revenue funding and £15m one-off COVID consequentials.
- Capital and Reform has remained at flat cash for 2021/22, with the exception of an additional £0.5m to support body worn video.

	2020/21 Budget £m	2021/22 Budget £m	Movement	
			£m	%
Core revenue funding	1,145.3	1,205.3	60.0	5.2%
COVID consequentials	0.0*	15.0	15.0	-
Revenue	1,145.3	1,220.3	75.0	6.6%
BAU capital	35.0	45.0	10.0	28.6%
Additional funding for specific initiatives	10.0	0.5	-9.5	-95.0%
Capital reform	4.6	4.6	0.0	0.0%
Capital receipts (NBV)	2.1	3.6	1.5	71.4%
Capital	51.7	53.7	2.0	3.9%
Revenue reform	25.0	25.0	0.0	0.0%
Total	1,222.0	1,299.0	77.0	6.3%

Revenue represents budget for current expenditure such as staff costs and goods and services (Pages 10-17). The revenue cost of police officers employers pensions contributions are not included in the funding allocation. This budget is held and managed by the SG separately. The SPA is required to meet the cost of officers' ill health retirement and injury pensions only.

Capital represents budget for new investment. The SPA is also permitted, subject to SG approval, to use disposal proceeds (NBV) to reinvest in further capital expenditure (Pages 18-19).

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 (Pages 20).

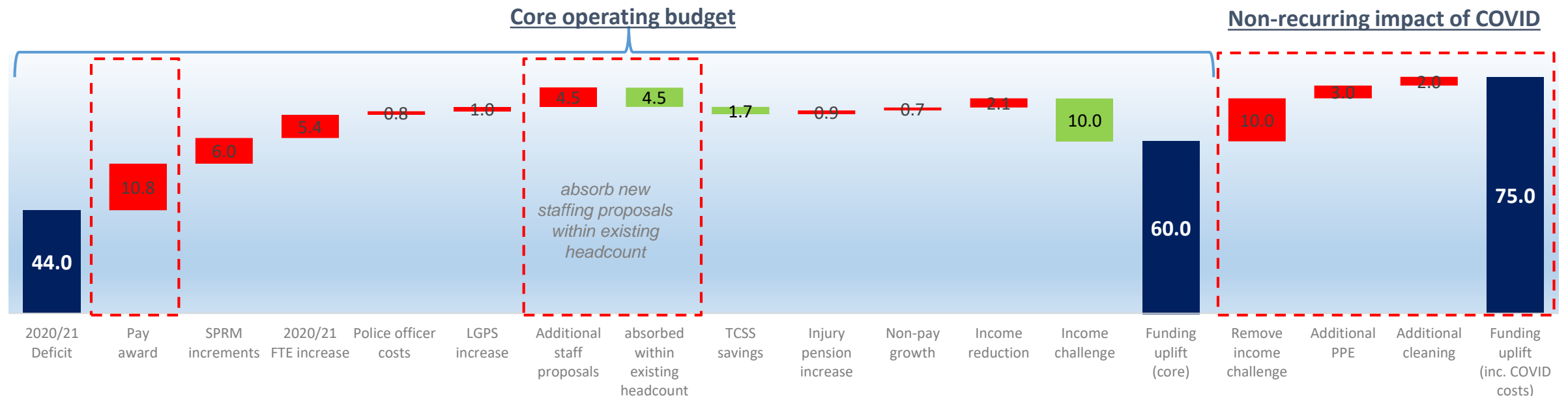
In addition to the primary budgets above, the SPA also has specific funding for non-cash expenditure and expenditure Outside Departmental Expenditure Limits (ODEL).

- Non-cash revenue funding represents ring-fenced budget 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.

*An additional £8.2m was transferred to SPA as part of the Spring Budget Revision to cover lost income as a result of operating in a COVID-19 environment.

Target operating deficit / revenue funding uplift

- The initial central planning scenario assumed a target operating deficit of ~£50m for 2021/22 as per recent high level financial modelling. This reflected the structural deficit position before any pay award or the in-year impact of COVID.
- Officer and staff pay award has been assumed in line with PSPP. This is still subject to consultation and negotiation with staff associations. If the pay award is not agreed within these limits, corresponding savings will be required to be identified to fund any additional increases. Note: every 1% increase results in a ~£10m increase to the core operating budget.
- Proposals for increased staff headcount total £4.5m with a FY impact of ~£13m in 2022/23. Given the significant ongoing financial impact of these requests, it is assumed that the increase is accommodated through reprioritisation of existing headcount (~23k FTE). If these proposals are not absorbed within existing headcount, additional non-pay saving options would be required if the 2021/22 budget were to be achieved.
- The core non-pay budget is broadly in line with 2020/21 whereby a £17m uplift was secured to address historic under-investment and high operational risk. The non-recurring impact of COVID is estimated at ~£15m: £10m income threat, £3m PPE and £2m cleaning. Without confirmation of additional funding, this would have presented a significant risk to the overall delivery of the 2021/22 budget.
- Details of our draft settlement confirmed a £60m funding uplift to eliminate the core operating deficit and fund pay award, plus an additional one-off £15m to support the in-year impact of COVID.**



Revenue

Proposed revenue budget & assumptions

- The table below shows the overall proposed budget following confirmation of our funding settlement on 28 January 2021.
- The base planning scenario assumed a structural target operating deficit of £50m, before factoring in pay award or the in-year impact of COVID.
- The proposed budget reflects the core planning scenario and PSPP, both of which are funded by the additional £60m uplift in core revenue funding, plus the in-year impact of COVID which is funded by £15m one-off additional revenue funding.

		2020/21 Budget £m	2021/22 Budget £m	Movement £m	Movement %
Police Scotland	Police Officer costs	817.8	827.3	9.5	1.2%
	Police Staff Costs	203.8	215.1	11.3	5.5%
	Non Pay Costs	160.4	165.9	5.5	3.4%
	Income	-31.4	-29.4	2.0	-6.4%
	Net expenditure	1,150.6	1,178.9	28.3	2.5%
SPA	Forensic services	34.2	36.5	2.3	6.7%
	SPA corporate	4.5	4.9	0.4	8.9%
	Net expenditure	38.7	41.4	2.7	7.0%
Total revenue budget		1,189.3	1,220.3	31.0	2.6%
<u>Funded by:</u>					
	Grant-in-aid – core	1,145.3	1,205.3	60.0	5.2%
	Grant-in-aid – COVID	0.0	15.0	15.0	-
	Operating deficit	44.0	0.0	-44.0	-100.0%
Total funding		1,189.3	1,220.3	31.0	2.6%

Pay costs (Pages 12-13)

- Officer numbers maintained at 17,234 throughout 2021/22.
- Staff budgets based on SCoPE records at 31 October 2020 including vacant posts.
- Impact of lower attrition reflected in 2021/22 budget.
- Pay progression for officers assumed to be self-funded by succession savings.
- Increments for staff in line with SPRM.
- Appropriate vacancy and reduced pay savings applied to budgets at a local level.
- Additional staffing proposals absorbed within existing headcount.
- Full impact of PSPP included - 1% for salaries up to £80k, a minimum £750 payment to those earning £25k or less, and a £800 capped payment for those earning £80k or more.
- Full year TCSS savings achieved.

Non pay costs (Page 14)

- Recognise revenue pressures as determined from the zero-based budget build.
- Other non-pay inflation has been applied where appropriate to specific budget lines as determined in the budget build.
- Additional £5m COVID consequentials (non-recurring).

Income (Page 15)

- Recognise income as determined from the zero-based budget build.
- £10m impact of COVID covered by additional funding.

Funding

- £60m uplift in core funding to eliminate structural deficit and fund pay award (~1%).
- £15m COVID consequentials (non-recurring).

Police officer costs

- The proposed budget assumes that police officer numbers are **retained at 17,234** for the duration of 2021/22. The recruitment profile is based on the level of recruitment required to maintain 17,234 officers at the end of each reporting period (quarterly). Although the overall number of officers remains unchanged, police officer pay costs have increased by £2.3m to reflect the impact of lower attrition across the organisation. This is offset by a £1.5m reduction as a result of the run-off in allowances.
- Officer pay award has been assumed in line with PSPP. This is still subject to consultation and negotiation with staff associations. If the pay award is not agreed within these limits, corresponding savings will be required to be identified to fund any additional increases. Note: every 1% increase in officer pay requires ~£8m of corresponding savings to be identified to balance the budget.
- It is assumed that increments are payable but funded by officer succession savings (i.e. as officers at the top of the salary scale retire and are replaced by probationers at the bottom of the scale).
- The proposed budget assumes that core and non-core officer overtime is held flat. Work is ongoing to reallocate core overtime budgets across divisions based on current demand data.
- Pensions have increased by £0.9m to reflect current run rate and anticipated RPI increases.

	2020/21 Budget £m	2021/22 Budget £m	Movement £m
Police officer pay	772.5	782.6	10.1
Overtime - core	12.9	12.9	0.0
Overtime - non-core (funded)	2.6	2.6	0.0
Allowances	7.8	6.3	-1.5
Pensions (Injury benefit & ill health)	22.0	22.9	0.9
Total Police Scotland	817.8	827.3	9.5

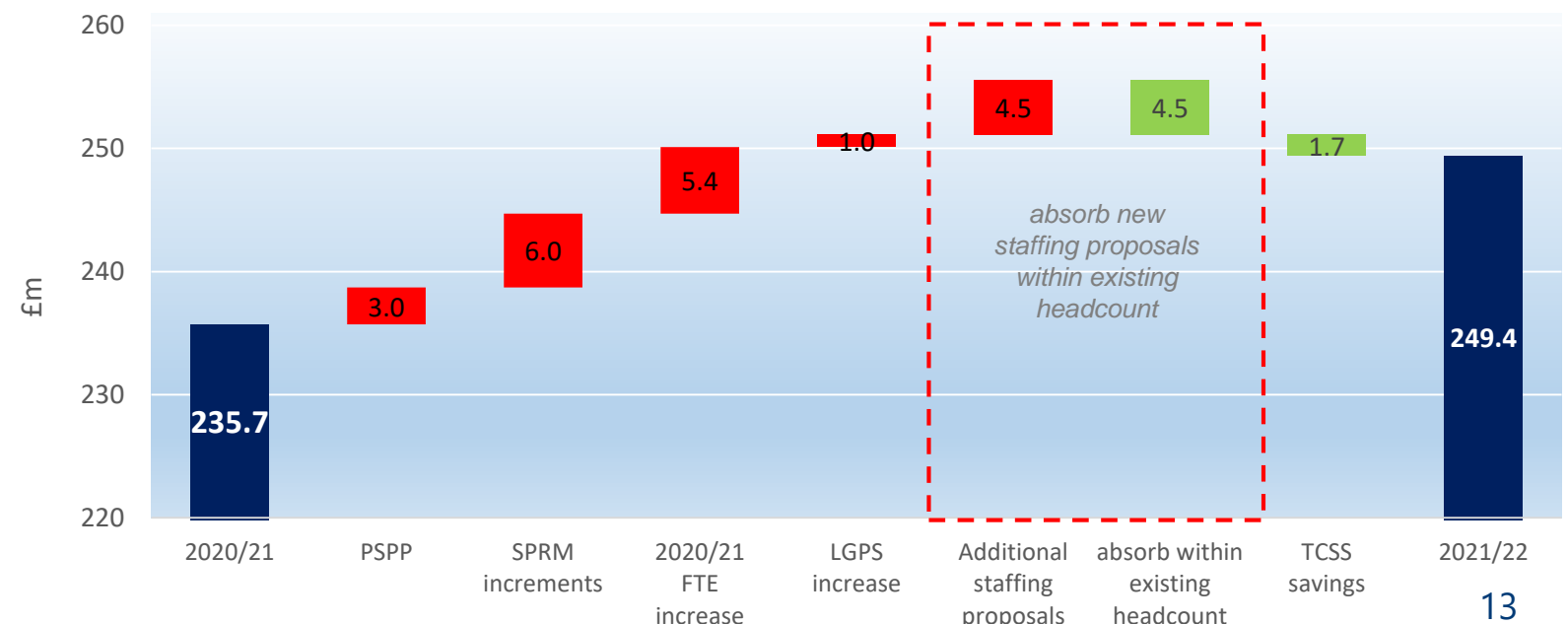


Note: there is no police officer budget in forensic services or SPA corporate.

Staff costs

- Recruitment levels have been outpacing attrition for the past 13 months (mainly due to COVID-19) increasing actual FTE by 100 since December 2019. Due to the way we budget typical staff turnover/vacancy rates as a 'saving' this trend has resulted in an overspend versus budget in the current financial year.
- Headcount in our **core planning scenario** remains at current levels, with a year-on-year cost impact of £5.4m in 2021/22. Limiting this pressure to £5.4m is contingent on keeping headcount flat, per the agreed recruitment policy ('one in/one out').
- A best case scenario would see the employment market return to relative 'normality' post COVID-19 which will see attrition levels increasing, however, this would take a significant amount of time to embed within the organisation to such an extent that it would impact on the baseline staffing position.
- Staff pay award has been assumed in line with PSPP. This is still subject to consultation and negotiation with staff associations. If the pay award is not agreed within these limits, corresponding savings will be required to be identified to fund any additional increases. Note: every 1% increase for pay staff requires ~£2.5m of corresponding savings to be identified to balance the budget.
- Incremental to this are several bids for additional resource with an aggregate cost pressure of £4.5m with a FY impact in 2022/23 of ~£13m. Given the significant ongoing financial impact, it is assumed that these requests are accommodated through reprioritisation of existing headcount (~23k FTE). Staffing requests will be considered and prioritised by the Demand, Design and Resource Board for approval.

	2020/21 Budget £m	2021/22 Budget £m	Movement £m
Salaries, allowances and on-costs ¹	233.1	246.8	13.7
Overtime	2.2	2.2	0.0
Special constables	0.4	0.4	0.0
Total	235.7	249.4	13.7
Comprised			
Police Scotland	203.8	215.1	11.3
Forensic services	28.9	31.0	2.1
SPA corporate	3.0	3.3	0.3
Total	235.7	249.4	13.7

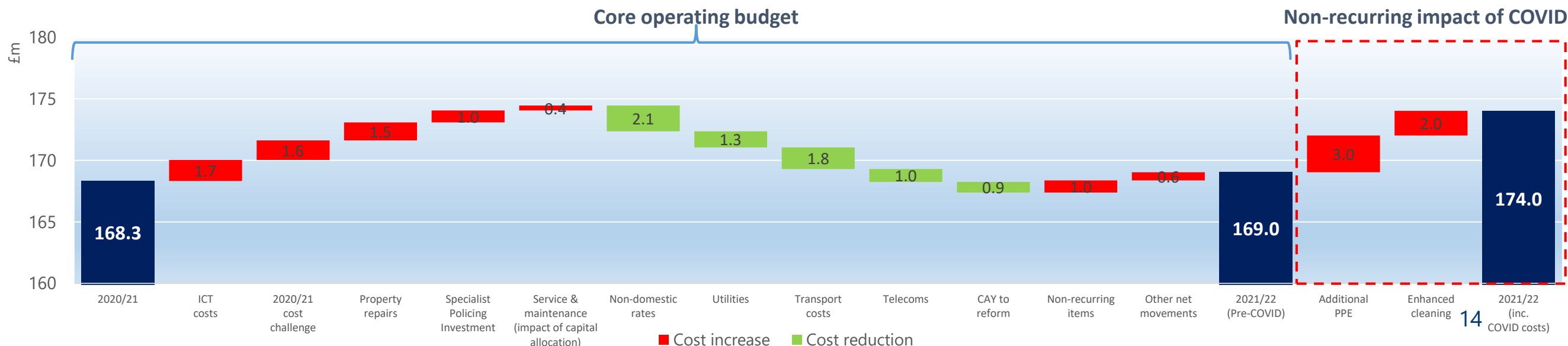


1. Assumes additional staff proposals are absorbed within existing headcount.

Non-pay costs

- Non-pay budgets have been developed using the approved zero-based budgeting approach. As such no general inflation has been applied and budget pressures have been recognised based on the outcome of the zero-based budget build and subsequent prioritisation.
- The proposed non-pay budget for 2021/22 is £174m. This includes the core non-pay budget (£169m) which is broadly in line with 2020/21 whereby a £17m uplift was secured to address historic under-investment and high operational risk, plus an additional £5m non-recurring costs as a result of COVID.
- A detailed and independent (from Finance) assessment of operational risk confirms that further non-pay budget reduction options are limited and cannot be achieved without impacting on service delivery.
- Further details of the risk assessment can be found on slide 17.

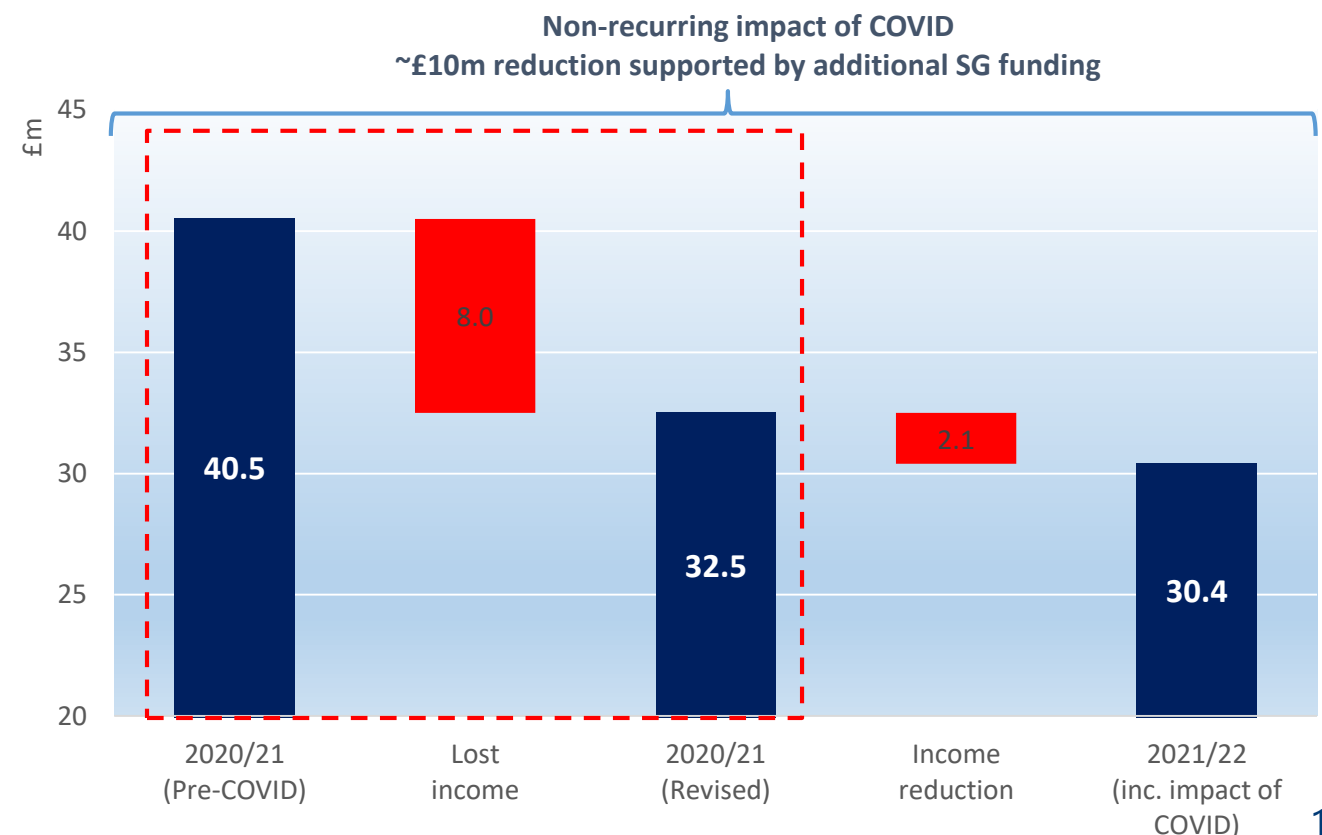
	2020/21 Budget £m	2021/22 Budget £m	Movement £m
Other Employee	3.3	2.6	-0.7
Premises	55.6	53.4	-2.2
Transport	21.0	20.0	-1.0
Supplies & Services	38.4	42.1	3.7
ICT	28.9	30.6	1.7
Administration	7.3	7.6	0.3
Third Party Payments	13.7	13.2	-0.5
Capital Financing	5.7	5.5	-0.2
Other	-5.6	-1.0	4.6
Total	168.3	174.0	5.7
<i>Comprised</i>			
Police Scotland	160.4	165.9	5.5
Forensic services	5.4	5.5	0.1
SPA corporate	2.5	2.6	0.1
Total	168.3	174.0	5.7



Income

- As the societal impact of COVID-19 started to emerge in early 2020, a £8m reduction was made to the 2020/21 income budget. The 2021/22 income budget build presented a further £2.1m reduction, resulting in an overall decrease of over £10m since pre-COVID levels. This has been recognised by Scottish Government and one-off additional funding has been for both years to support the lost income.
- The majority of the £10m funding for 2021/22 covers a significant reduction in airport income and the central income challenge historically included to reflect additional events, football matches, operations, etc. that are unknown at the time of budget setting. The central income challenge has been achieved in previous years but this is no longer possible due to operating in a COVID environment.
- The remaining £30m income budget assumes an element of recovery around events and football, and the budget build reflects anticipated activity at this time. However, there is a risk to overall delivery should significant restrictions continue throughout the year.
- There is also a risk relating to potential reductions in grant funding, in particular local government grant funding.

Income Summary	2019/20 Budget £m	2020/21 Budget £m	2021/22 Budget £m
Specific Grant Funding	8.3	8.0	8.1
Local Authority Funding	4.3	3.4	3.0
Public Fees	4.4	4.4	4.3
Rental & Hire ¹	6.0	6.0	6.1
Football matches	1.6	1.6	1.3
Events, Concerts & Other	5.2	3.8	3.9
Airports	5.2	5.1	1.3
Seconded Officers	1.6	0.9	0.8
Other Income	3.1	3.1	1.6
Central Income Challenge	2.1	-3.8	0.0
Total	41.8	32.5	30.4



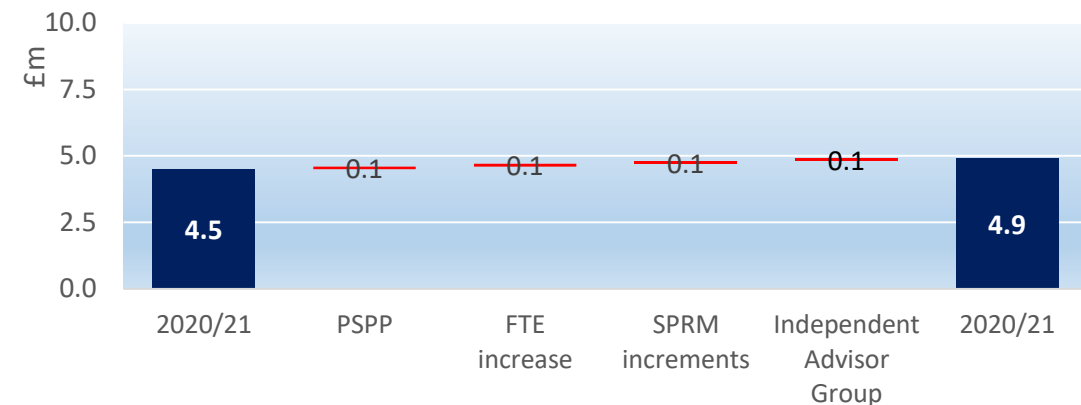
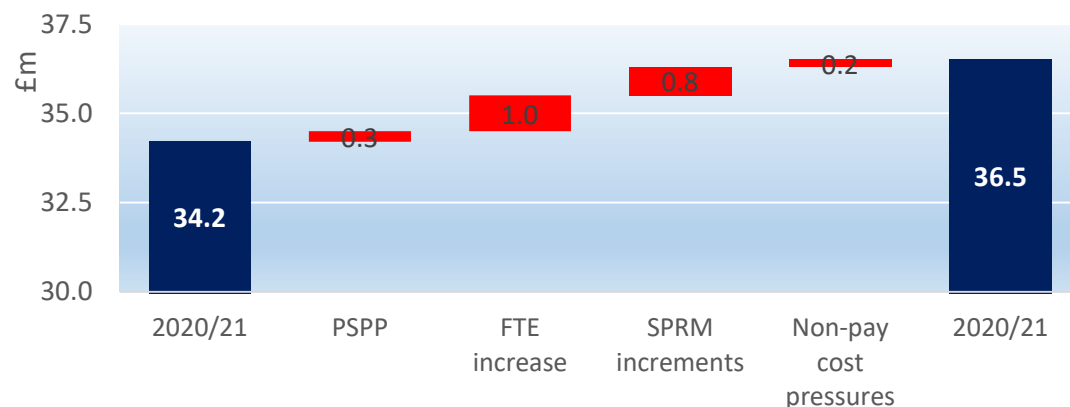
1. £1.0m of rental income relates to SPA Corporate.

Forensic services and SPA Corporate

- Forensic services and SPA Corporate followed the same budgeting process as Police Scotland and adopted a zero-based budgeting approach. This budget setting process was supported by SPA and Police Scotland finance staff and the initial budget submissions have been approved by the Director of Forensic Services and Interim Chief Executive.
- The police staff budget build was completed centrally for Police Scotland, Forensic Services and SPA corporate following a consistent process and budgeting assumptions.

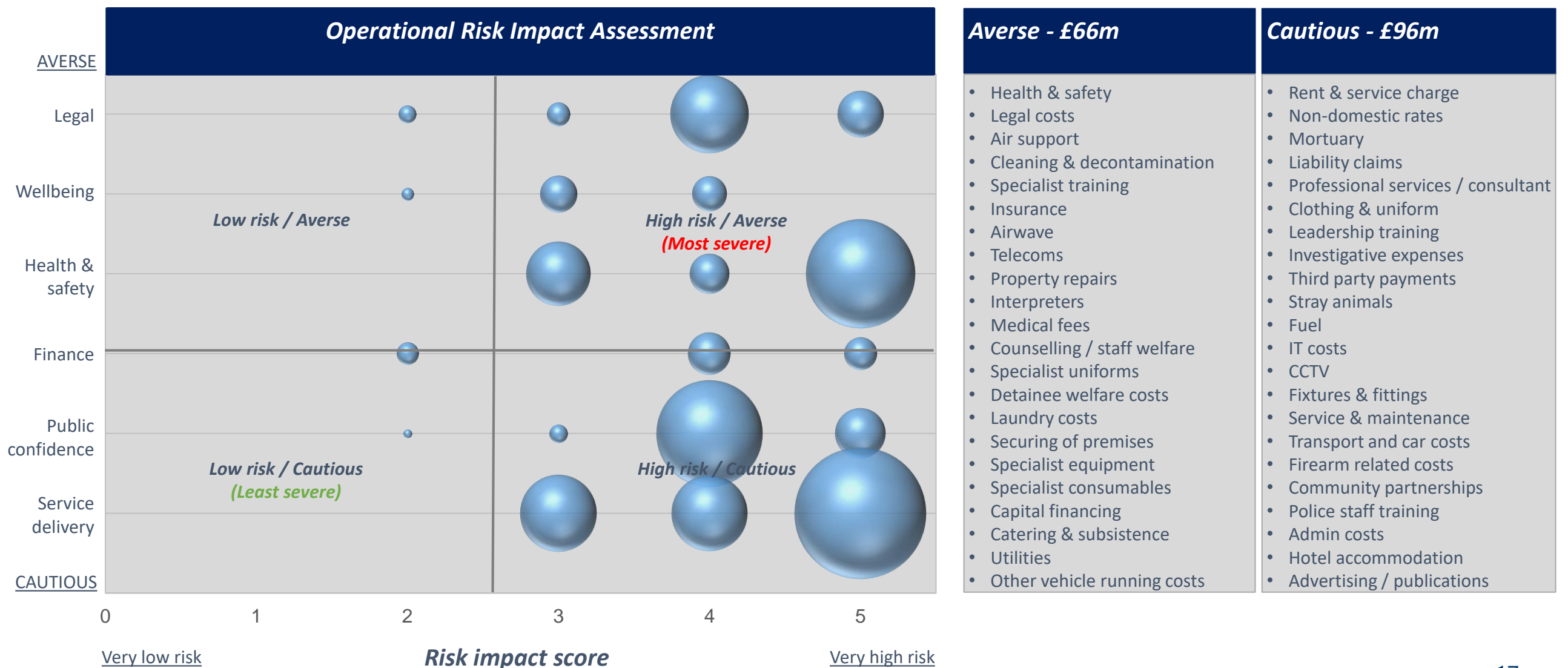
Forensic Services	2020/21 Budget £m	2021/22 Budget £m	Movement £m
Police staff	28.9	31.0	2.1
Other employee costs	0.1	0.1	0.0
Premises	0.1	0.1	0.0
Transport	0.3	0.2	-0.1
Supplies and services	3.6	3.9	0.3
ICT	0.7	0.6	-0.1
Admin	0.2	0.2	0.0
Third party payments	0.4	0.4	0.0
Income	-0.1	0.0	0.1
Total	34.2	36.5	2.3

SPA Corporate	2020/21 Budget £m	2021/22 Budget £m	Movement £m
Police staff	3.1	3.4	0.3
Premises	0.9	0.9	0.0
Transport	0.1	0.1	0.0
Supplies and services	0.1	0.1	0.0
ICT	0.0	0.0	0.0
Admin	0.7	0.7	0.0
Third party payments	0.5	0.6	0.1
Capital financing	0.1	0.1	0.0
Income	-1.0	-1.0	0.0
Total	4.5	4.9	0.4



Budget risk assessment

- The Police Scotland risk assessment matrix has been applied to the findings from the zero-based budget build to independently assess the risk rating for every non-pay expenditure line. The risk assessment results have been mapped below showing the profile of the budget against the lead risk scores and categories.
- The risk impact assessment highlights that the vast majority of the operating budget falls into the **high/very high risk category** across health & safety, public confidence and service delivery, suggesting that there will be **significant operational consequences** should any further budget reductions be required.
- A £17m uplift was secured in 2020/21 to address **historic under investment** in these high risk areas. Any further budget reductions would diminish the operational benefit of this uplift which is outside the current risk appetite of the organisation.



Investment: capital & reform

Capital

- The SPA have continued to engage with the SG on the requirement to award a significant increase in capital funding to enable the implementation of investment strategies which will progress the transformation programmes. These strategic programmes are designed to deliver a police service for the 21st century.
- The lower than required annual capital award has inhibited the progression of key investment strategies which are necessary to keep up with the threat, harm and risk posed to the people of Scotland from increasing crime, increasing cyber/digital crime and the continuing sophistication of serious and organised crime.
- The 2021/22 financial year award is, with the exception of £0.5m to fund Body Worn Video, in line with the 2020/21 financial year award of £50.1m. In addition to the annual disposal proceeds and agreed slippage, the annual capital funding is **£53.7m** which has been allocated in line with organisational priorities by the members at the Capital Investment Group (CIG).
- In total, £85.5m of capital bids were submitted, and from within these bids, **£56.1m of unavoidable capital spend** related to regulatory change, committed change, regulatory BAU or critical / difficult to stop projects was identified. All other proposed expenditure is deemed as replacement activity or discretionary projects.
- The total capital **funding allocation is £53.7m** (comprised: £45m core; £4.6m capital reform; £0.5m body worn video and £3.6m capital receipts).
- The funding allocation will enable the following programmes to progress:
 - Continued investment in the Data programme
 - Custody & Production remodelling
 - Investment in Digital Evidence Sharing programme
- This level of funding means that no discretionary capital can be allocated to rolling replacement budgets. Examples of discretionary requirements are:
 - ICT hardware asset replacement in line with the replacement criteria
 - Marked fleet replacement
 - Renewal of marine equipment
- In line with previous financial year it is proposed that capital budgets are over allocated to create a slippage management target. This assumes there will be natural slippage arising during the year and enables additional capital to be allocated at budget setting. The slippage management target for 2021/22 has been set at 4.8% (£2.4m).

	Unavoidable (committed & legislative) £m	Other (critical and difficult to stop) £m	Total £m
Estates	8.2	-	8.2
Fleet (rolling replacement)	6.8	1.7	8.5
Electric Vehicle Infrastructure	3.2	-	3.2
ICT	2.8	4.2	7.0
Specialist policing equipment	0.5	3.1	3.6
Weaponry & officer safety	3.2	-	3.2
Forensic services	1.6	-	1.6
Change:			
Criminal Justice Service programme	0.4	3.2	3.6
Data Drives Digital	3.1	-	3.1
Digitally Enabled Policing Programme	2.0	1.5	3.5
Forensics	-	-	-
ICT	0.9	2.2	3.1
Local Policing Programme	1.5	-	1.5
Other	1.9	1.1	3.0
Rights and Justice Legislative programme	1.1	-	1.1
Technical Surveillance	-	1.9	1.9
Slippage Management	-	2.4	-
Total	34.8	18.9	53.7
Funding			
Core grant in aid			45.0
Reform capital			4.6
BWV grant			0.5
Capital receipts			3.6
Total			53.7

Reform

- The Scottish Government have continued to provide additional reform funding to be used to support change and the transformation of policing.
- Reform funding has been held flat at £25m revenue reform and £4.6m capital reform. Capital reform is shown within the previous capital funding page and this slide shows the investment in revenue reform.
- A prioritisation of reform spend has been undertaken on the same basis as capital by the CIG.
- In total, £29.7m of Reform bids were submitted, and from within these bids, **£16m of unavoidable reform spend** related to regulatory change, committed change, regulatory BAU or critical / difficult to stop projects was identified. All other proposed expenditure is deemed as replacement activity or discretionary projects. (Such bids totalling £13.7m)
- Capital bids that are being funded can have an associated element of Reform funding. £14.7m of reform funding is associated with these capital programmes.
- In line with previous financial year and the capital budget it is proposed that the reform budget is also over allocated (by 16%) to create a slippage management target. This assumes that there will be natural slippage arising during the year and would enable additional spend to be allocated. This will be reviewed and monitored quarterly by the CIG
- With the level of funding received and the slippage management target, it has been possible to fund all submitted Reform bids. Key projects and initiatives supported by the reform budget in 2021/22 include:

- Funding for Corporate Change including Leadership & Talent, Procurement improvement, Analysis and Performance Unit and the next phase of Transforming Corporate Support Services.
- Funding for feasibility studies and site surveys to progress Estates transformation in line with the strategy, as well as funding for the North East Division Integration Project.
- Investment in Leadership and specialist training (mental health for example).
- Rights and Justice Legislative programme.
- Forensic Services 2026 Programme.

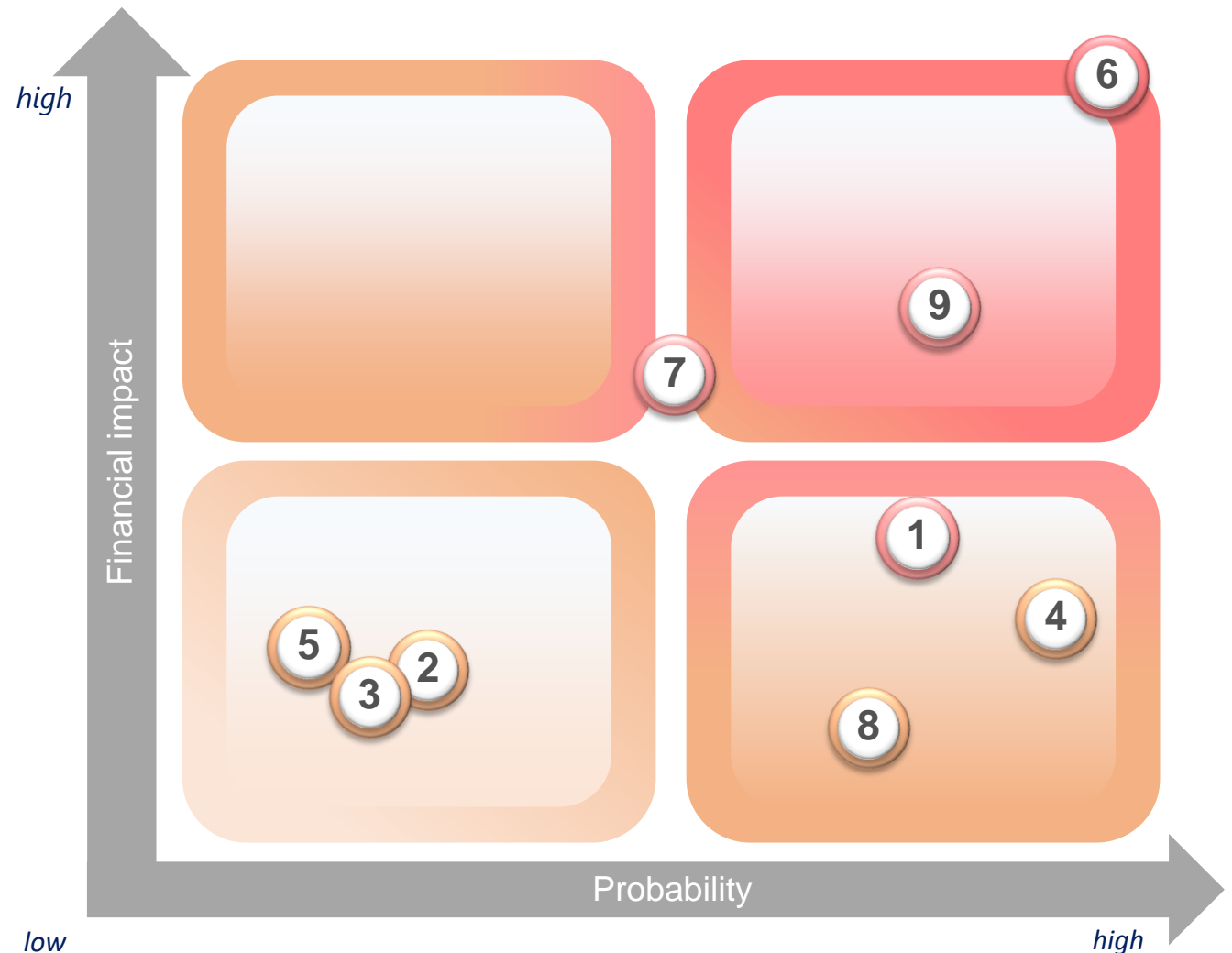
	Unavoidable (committed & legislative) £m	Other (difficult to stop & discretionary) £m	Total £m
Transformation resource	5.7	6.4	12.1
SPRM	2.2	-	2.2
Data drives digital	0.9	-	0.9
Digitally Enabled Policing Programme	1.2	-	1.2
Corporate change (incl. TCSS)	0.1	3.7	3.8
Estates transformation	0.9	1.7	2.6
North East Integration	1.1	-	1.1
Criminal Justice Service programme	0.1	0.2	0.3
People & Development Programme	-	1.4	1.4
Rights and Justice Legislative programme	0.4	-	0.4
VR VER	2.8	-	2.8
Small management	0.5	0.4	0.9
Total	15.9	13.8	29.7
Slippage target			- 4.7
Total			25.0

Threats

Threats

The chart summarises the key threats that could result in a material change to the 2021/22 budget. These threats are **over and above the baseline deficit**.

1. Local authority funded officers (£3.0m) – assumptions have been made around the continuation of local authority funded officers throughout the year. There are still a small number of outstanding agreements and the position will be monitored throughout the year.
2. Transport savings (£1.8m) – savings have been build into the budget to reflect new ways of working following the COVID-19 pandemic. If this behaviour is not sustained there is a risk that these savings will not be achieved.
3. Ill-health retirals (£1.6m) - there is a risk that the level of funding required to meet our obligations in relation to the timely release of officers eligible for Ill Health Retirement may exceed available budget. This is mainly driven by the backlog created as a result of the COVID-19 pandemic.
4. Staff pay - various pay assumptions have been made with regards to headcount, pay award, attrition and savings. Any variations to these assumptions will have a budgetary impact to be managed throughout the year.
5. Revenue consequences of capital funding – increased revenue costs due to lower capital settlement.
6. Legal claims - potential unbudgeted legal claims and other one-off costs.
7. COVID-19 – financial impact relating to organisational response, workforce absence and further reduction to income.
8. Third party payments (£1.0m) –negotiations ongoing with regards to SPA’s charges.



9. Tax charge on property sale gains (u/k) – work is ongoing to understand the potential impact of expenses to be offset against chargeable gains from property sales. The financial impact cannot be quantified until all work with HMRC is complete.

Note: The cost of Morbid Toxicology and COP26 is not included in this budget paper. These costs are assumed to be funded by the Scottish and UK Governments.

APPENDIX B – Schedule of Rates for Events and Other Services

- 1.1 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 Scottish Police Authority to both provide and charge for goods and services.
- 1.2 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 events and other services where the charges are not already set by statute. The policy is in line with the requirements of the SPFM.
- 1.3 This proposal sets out the outcome of the annual review of the schedule of rates in line with the budget setting cycle and to ensure that full cost recovery is maintained.

Outcome of Annual Review of Schedule of Rates

- 1.4 The charge out rates have been calculated using the methodology set out in the NPCCs Guidelines on Charging for Police Services (April 2015). As such, the basis of the SPA's 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.
- 1.5 The charge out rates have been increased for 2021/22 in line with the budgeting assumptions approved by the SPA Board.
- 1.6 Both Police Officer and staff charge out rates for 2021/22 have been updated in line with public sector pay policy for 2021//22, announced by the Scottish Government on the 28 January 2021 (3% for employees earning less than £25,000, 1% for employees earning over £25,000 and a capped increase of £800 for employees earning over £80,000).
- 1.7 The previous rate and proposed rates are summarised in the following tables and are rounded to the nearest £0.50. Note these rates are exclusive of VAT.

Schedule of Rates – Officers

Full Economic Rate Per Hour	Rate from 01-Apr-20	Rate from 01-Apr-21
Chief Superintendent	£104.50	£106.00
Superintendent	£92.50	£93.50
Chief Inspector	£74.00	£75.00
Inspector	£70.50	£71.50
Sergeant	£70.50	£71.50
Constable	£60.00	£61.00
Special Constables	£24.00	£24.00

Schedule of Rates – Staff

Full Economic Rate Per Hour	Rate from 01-Apr-20	Rate from 01-Apr-21
Grade 11	£78.00	£79.00
Grade 10	£70.50	£71.50
Grade 9	£61.50	£62.50
Grade 8	£53.50	£54.50
Grade 7	£47.00	£47.50
Grade 6	£52.00	£53.00
Grade 5	£45.50	£46.00
Grade 4	£39.50	£40.00
Grade 3	£35.50	£36.50
Grade 2	£32.50	£33.50
Grade 1	£29.00	£30.00

Charges to Other Non-statutory Services

- 1.8 Any changes to fees which are set by statute will be applied as they occur. The charges for other non-statutory services are proposed to be uplifted in line with the NPCC guidance and the Consumer Price Index (CPI). The most recent published measure, the December 2020 CPI, as per the Office for National Statistics is 0.6%. These charges with the proposed uplift are shown below:

OFFICIAL

ITEM	April 2020	April 2021
Supply of Accident Reports	£103.50	£104.50
Search Fee (where the police have no information)	£103.50	£104.50
Interview (after copy of accident report has been applied)	£170.00	£171.50
Supply of Photographs:		
per Print	£7.00	£7.50
per Photocopy	£5.00	£5.50
CD – per disk	£23.00	£23.50
Supply of Video / DVD:		
½ hour video/DVD	£79.00	£80.00
1 hour video/DVD	£113.00	£114.00
3 hour Video /DVD	£245.00	£247.00
Supply of information about thefts, house breaking and occurrences	£103.50	£104.50
Crash Investigator Accident Report	£489.00	£493.00
Scale Plan (A3)	£135.00	£136.50
Scale Plan (A1)	£270.00	£272.50
3D Construction + preparation time	£675.50	£681.00
Alarm Registration (incl. VAT - £60)	£50.00	£50.50
Supply of Plans – Charges will depend on the type of service provided and equipment used.		

Effective Date

1.9 These revised charge out rates are effective from **1 April 2021**.