SCOTTISH POLICE AUTHORITY

POLICE SCOTLAND
Keeping people safe

Scottish Police Authority Ten Year Financial Strategy

May 2018

V2.3

Contents

1 Executive Summary

The Ten Year Financial Strategy seeks to set out the range of financial impacts that could arise as a result of longer term trends, based on internal factors such as strategy, as well as external factors such as future funding settlements and Public Sector Pay Policy.

As such, this document should not be regarded as a 10 year budget. The 2018/19 Scottish Police Authority (SPA) budget differs because it sets out specific spending and savings plans, which have a far higher degree of certainty as they are based on a one year planning horizon where certain components, such as the Public Sector Pay Policy are already known.

The Ten Year Financial Strategy continues to be a work in progress and, through a process of iteration will become increasingly robust as the organisation develops its Digital, Data & ICT Strategy, its Workforce Strategy and a revised Estates Strategy amongst others. As such further refreshes of this Strategy will be brought forward as key information from other supporting Strategies becomes available.

The key messages that can be taken from this Long Term Financial Strategy are:

- Sensitivity to changes in pay costs – The SPA and Police Scotland have a cost base of which pay costs account for over 85%. This is significantly higher than is the case in Health Boards or Local Authorities. As a result, the organisation is disproportionately affected by a higher Public Sector Pay Policy when compared to other public sector bodies, meaning a proportionately higher cost pressure to the organisation.
- Sensitivity to Government funding – The SPA/ Police Scotland generate income which equates to less than 4% of total expenditure and is, therefore, extremely reliant on government funding to support its running costs. This means that, should government funding not rise in line with cost pressures, savings will need to be found to bring down the cost base to keep it in line with available funding.
- Ability to make savings without impacting upon employee numbers – As a consequence of the organisation's cost profile (over 85% of expenditure being payroll related), there is limited ability to make savings from non-pay costs alone. These non-pay costs mostly relate to the cost of maintaining the police estate, the fleet and the ICT infrastructure.

When these factors are taken together it essentially means that, if government funding increases do not keep pace with rising costs, such as removal of the 1% cap on Public Sector pay, then savings will be required to meet this shortfall. With over 85% of costs relating to pay, it means that where savings requirements arise in future, options to reduce the pay bill would have to be considered if the organisation is to remain financially sustainable into the longer term.

2 Background

The SPA Board considered an initial outline Long Term Financial Strategy in March 2016. This was a draft document that presented the financial context for the next ten years and provided some high level options as to how the organisation could secure financial sustainability into the future. It was agreed that this would be regularly refreshed to reflect ongoing development of the organisation's strategies and financial commitments.

Significant work was then undertaken through 2016 and 2017 to develop the ten year organisational strategy which was approved by the SPA Board on 22 June 2017. The 'Policing 2026' Strategy sets out the long term vision and organisational blueprint for the next decade. To accompany the 'Policing 2026' Strategy, an implementation plan is in development - Implementing Our Strategy - a Three Year Plan. This was the first of three implementation plans expected to be developed over the 10 year period captured by Policing 2026. It sets out how the organisation will begin to deliver on the ambition of the strategy in the first three years through a combination of programme and project activities designed to:

- **Enhance Capability** through the building of required transformation capacity and expertise to ensure delivery of the strategy;
- **Realise Operational Improvements** through bringing staff and stakeholders together to understand their experience of policing. Identification and implementation of improvements through lean methodology to reduce waste, failure demand and move policing expertise to the front line;
- **Deliver Early** in the transformation journey. A number of programmes have delivered tangible benefits within 2017/18 including Cyber, ICT, Leadership and Corporate Services;
- **Strategic Delivery** across Operational Policing, through the implementation of a set of core systems to enable officers to spend more time in communities and on the front line rather than in the station performing administrative tasks, and achieving significant efficiencies in Corporate Services through a move to a shared services model; and
- **Enable Sustainability** in the changes by ensuring they are delivered in conjunction with training, development, governance and policies to reinforce the new ways of working.

Alongside the development of the strategy and its implementation plan, a Draft Three Year High Level Financial Plan was developed and presented to SPA in June 2017. This document highlighted the level of investment required to deliver service improvements; the strategic aims and objectives of Policing 2026; and the levels of efficiencies required to meet the commitment of the organisation to deliver a balanced budget by 1 April 2020.

A formal Three Year Financial Plan was then approved by the SPA Board in September 2017. This Three Year Financial Plan provided an updated assessment of the financial resources required to deliver the organisation's strategic priorities and essential services over the next three years at the same time as eradicating the operating deficit to achieve a balanced budget. Accompanying the Three Year Financial Plan, a Ten Year Long Term Financial Strategy (LTFS) was also presented to the SPA Board which built upon the work conducted for the Three Year Financial Plan to consider the longer term impact and challenges facing the organisation through to 2027.

In presenting these documents to the SPA in September 2017, it was agreed that they would be refreshed on a regular basis (proposed to be annual for the Three Year Financial Plan and at least every two years for the LTFS). This document represents the first refresh of the Long Term Financial Strategy to accompany the revised Three Year Financial Plan which is directly aligned to the 2018/19 draft budget presented to the SPA Board for approval in May 2018.

Section 6 documents the key developments that have impacted the underlying financial position between September 2017 and May 2018.

Police Scotland's Budget

The service receives Scottish Government funding primarily from three main sources, revenue, capital and reform (the latter also known as 'Police Change & Transformation' funding). There continues to be clear distinction between each of these funding streams to ensure transparency in reporting and budget monitoring. This paper also presents each distinct funding stream separately.

The Police Scotland budget for financial year 2018/19, across the three main funding areas, is presented below.

Diagram 1 – Police Scotland Funding 2018/19

The diagram shows that the capital plan is funded in part by Reform Funding (£4.6m) and core capital grant and capital receipts (£37m).

The draft 2018/19 budget has been adopted as the baseline for the Three Year Financial Plan and this LTFS. This assumes a deficit of £35.6m, however once in year non-recurring cost pressures are stripped out, the recurring deficit is £28.2m.

Approximately 97% of the annual spending is undertaken by Police Scotland, with the remainder incurred by the Forensics Service (2.6%) and the SPA Corporate body (0.4%). This LTFS focuses on the Revenue budget.

3 Purpose and Principles

The purpose of this Ten Year, Long Term Financial Strategy is to provide Members with information on the Authority's longer term financial outlook and the probable impacts that decision-making will have on the financial position of the organisation in the years to come.

The LTFS is not intended to be a 10 year budget exercise; there are too many uncertainties across financial, political, social and economic variables to make it possible to forecast the level of funding that will be available to the Authority in 2027/28, and expenditure levels will be determined by organisational decisions that have not yet been made.

It is not proposed for this strategy to be used as a detailed long term financial planning tool, in the way that the Three Year Financial Plan is. Instead, it seeks to set out broad financial parameters which should be considered when making financial decisions over the short and medium term. It also provides an indication of the indicative financial impacts that could arise as a result of certain external factors, such as future funding levels.

The LTFS will enable an understanding of the broad direction of financial travel that the organisation is currently taking, and the impact that current thinking and decisions could have on the long term financial position of the organisation.

As the organisation continues on its transformation journey, greater clarity will be obtained to better inform financial planning. At the moment, there are a number of areas where work is ongoing to develop project and financial plans, as well as corporate strategies.

In order for the LTFS to remain useful, it will be reviewed and updated at least every two years to reflect the political, financial, social and economic changes that have taken place during the intervening period. In the initial period, it will be refreshed more regularly to reflect the progress being made in developing significant programmes and projects of change at the same time as operational and corporate strategies.

Given the longer term nature of the LTFS and the number of variables, the plan beyond the period captured within the Three Year Financial Plan aims to focus on larger, broader considerations rather than project or department specific activities. Therefore this LTFS is thematic in nature.

The strategy aims to be an inclusive document that is owned by the organisation and not solely by Finance. In developing this LTFS, significant engagement has taken place across the organisation which will continue through future iterations.

The LTFS does not seek to set out a particular course of action for the future, and is therefore not prescriptive. Instead, its purpose is to underpin and support the development and decisions in future plans and strategies.

4 Constructing the Long Term Financial Strategy

Development of the Ten Year Financial Plan has been undertaken as part of the wider review of long term financial planning through reviewing the base budget, and developing the Three Year Plan. Diagram 2 below provides a summary of the activities undertaken at each stage of development.

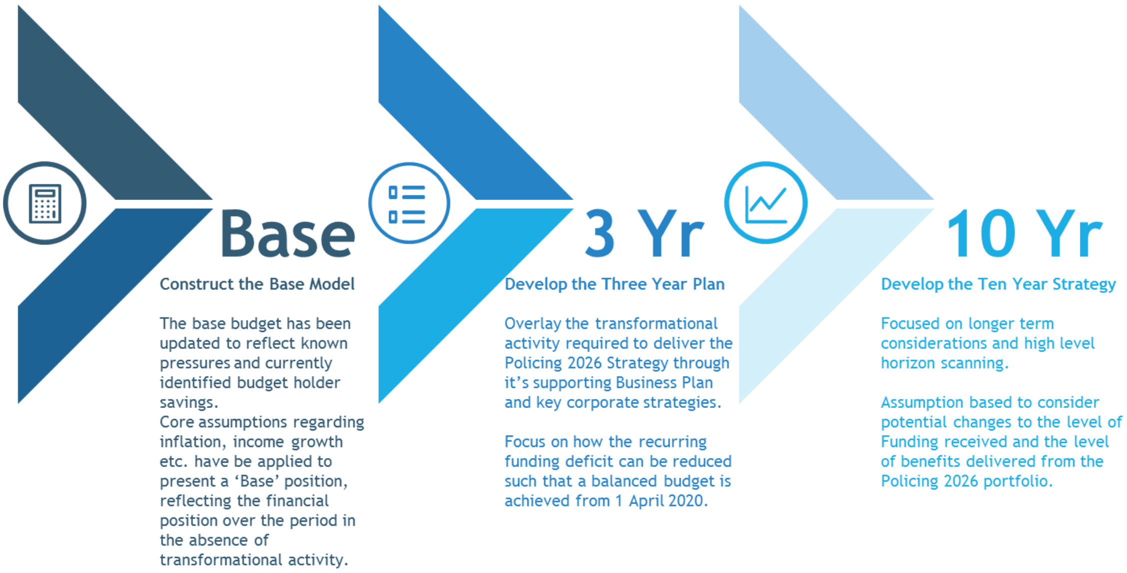

Diagram 2 – Development of the Three Year Financial Plan

The diagram below presents the 37 projects currently initiated and captured within the Policing 2026 Transformation portfolio as well as those projects not formally captured as 'transformational' but with a significant impact on the organisation. The diagram shows the level of financial information available for inclusion within this Plan across five categories:

- Core budgets;
- Full business case analysis;
- Initial business case financial analysis;
- Scoping and design work ongoing (not yet through appropriate governance); and
- Those with such limited financial analysis that they are not captured at this time.

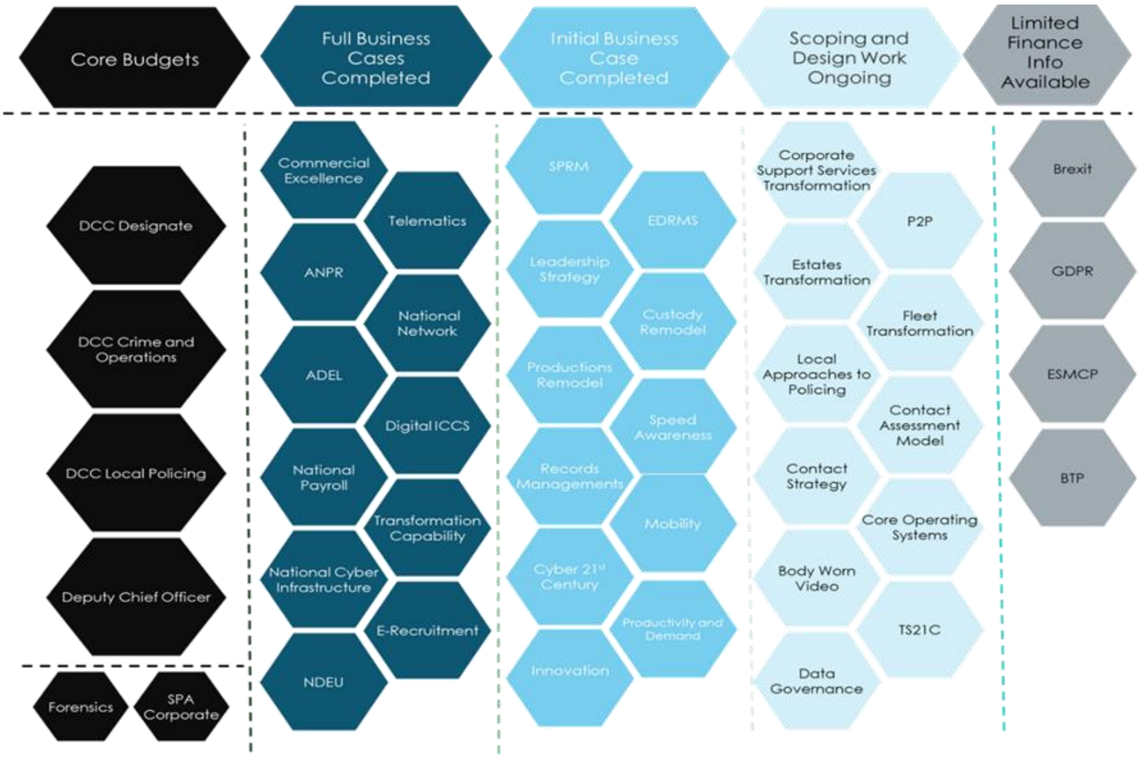

Diagram 3 – Core Business Units and Transformational Activities

At the time of writing (September 2017) the first version of the LTFS, only a draft high level three year Business Plan was available. Other than the approved Three Year Implementation Plan (*Serving a Changing Scotland, Creating capacity to improve 2017-2020*), this remains the case in May 2018. The corporate strategies for Fleet, Estates and the Workforce are currently at different stages of development and not yet in a position to fully inform the financial modelling underpinning this plan.

The Digital, Data & ICT Strategy is also currently in development. It will have two clear outputs that will support future financial planning, these are:

1. A Technology Target Operating Model (TToM)– providing an Integrated Vision, Strategy & 100 day delivery plans to define an optimal plan to deliver the strategic TToM necessary to support delivery of:
    - Full benefits of Police Reform; and the
    - 2026 Strategy
2. 'Indicative' Strategic Outline Business Case (SOBC) –providing the outline costings of the options available to deliver the TToM (Current forecast £120-£190m capital expenditure) over the next c.5 years and provide more granular data for the LTFS.

At the time of writing (May 2018), the financial impact of the Digital, Data & ICT Strategy is not captured within the financial modelling as it is still in development.

5 Approved Ten Year Financial Strategy (September 2017)

The LTFS approved in September 2017 highlighted that after achieving a balanced budget in 2020/21, ongoing cost pressures in advance of assumed increases in funding would require the organisation to identify further efficiencies in future years to maintain a balanced position. The annual increase in the deficit was forecast to be c. £4m, or 0.35% of expenditure.

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross Expenditure	1,059.8	1,067.7	1,069.9	1,078.1	1,102.9	1,121.5	1,146.4	1,173.2	1,200.5	1,228.3
Forensics	27.8	28.6	29.4	30.1	30.9	31.7	32.6	33.4	34.3	35.2
SPA Corporate	4.0	4.1	4.2	4.3	4.5	4.6	4.7	4.8	4.9	5.1
Total	1,091.6	1,100.5	1,103.4	1,112.6	1,138.2	1,157.8	1,183.7	1,211.5	1,239.8	1,268.5
Reform VAT Allocation	(22.0)	(22.1)	(21.8)	(22.4)	(22.0)	(21.2)	(21.1)	(21.3)	(21.5)	(21.9)
Net Expenditure	1,069.6	1,078.4	1,081.6	1,090.2	1,116.2	1,136.6	1,162.6	1,190.2	1,218.3	1,246.6
Core revenue grant	1,022.4	1,042.8	1,065.7	1,090.2	1,112.0	1,134.3	1,157.0	1,180.1	1,203.7	1,227.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	1,022.4	1,042.8	1,065.7	1,090.2	1,112.0	1,134.3	1,157.0	1,180.1	1,203.7	1,227.8
Budget (Surplus)/Deficit	47.2	35.6	15.9	(0.0)	4.2	2.3	5.6	10.1	14.6	18.8

Table 1– Ten Year Financial Position per the Approved Ten Year Financial Strategy (September 2017)

The key pressure on the revenue budget in the previous LTFS presented above, was Police Officer and Staff Costs, where it was assumed there would be a 2% increase each year, reflecting an assumed change in public sector pay award from 1 April 2021. The previous base model also assumed that Scottish Government Funding would continue to increase by 2% each year. Scottish Government were, at the time of writing, yet to confirm levels for pay award and funding (which will be linked to GDP deflators), therefore the associated long term CPI forecast (2%) was used as the basis for modelling.

6 Key Developments from September 2017

The Three Year Financial Plan and LTFS approved by the SPA Board in September 2017, presented the means by which investment in changes to systems, equipment and working practices will unlock long-term capacity gains, efficiencies and enhanced capabilities. This investment will support the delivery the Policing 2026 Strategy and achieve a balanced budget from 1 April 2020, and the associated forecast impact over a full ten year period.

In September 2017, the level of planning information on how improvements in operational policing, operational and business support functions and non-pay budgets will enable the delivery of a balanced budget was limited. Therefore it was not possible to directly link individual projects to allocated efficiency targets or projected budget amendments in future years.

This version of the LTFS takes a significant step forward in aligning the delivery of efficiencies and capacity creation to individual projects, however it is recognised that further work is still required to fully map all efficiencies and capacity creation, along with clear benefit delivery and realisation plans across the three year period presented. As those projects and programmes presented in diagram 3 progress from the development of Initial and Full Business Cases through to implementation, future iterations of this LTFS will allow for greater granularity to be captured.

In addition to the substantial challenge of addressing the 2017/18 opening budget deficit of £63m two additional cost pressures have arisen in the period since September 2017 which have placed further strain on the organisation's financial position, these are:

Staff Pay and Reward Modernisation (SPRM)

The approved Three Year Financial Plan included high level assumptions regarding both the initial and recurring costs of implementing SPRM. These have now been superseded by more detailed modelling based on the SPA's preferred solution which provides an updated forecast on the likely costs of this implementation. These costs are greater than those assumed in previous modelling and therefore present an additional cost pressure to be addressed in order to meet the commitment to achieve a balanced budget from 1 April 2020.

Public Sector Pay Policy (PSPP)

In February 2018 the Scottish Government confirmed a change to the terms of PSPP. Previously at a level of 1%, public sector pay policy now features a three tiered approach where those earning less than £36,500 can receive an increase of 3%, whilst those earning above the threshold can receive an increase of 2%. Anyone earning more than £80,000 can receive a pay award of £1,600.

Indicative pay modelling suggests that the new policy will lead in future years to a 'blended' pay award for staff, equivalent to 2.8% (an increase of 1.8% against initial planning assumption) and of 2.3% (an increase of 1.3% against initial planning assumption) for Officers. These two elements present a significant additional cost pressure to the organisation and increase the level of efficiencies required to achieve a balanced budget.

7 Summary of The Refreshed Ten Year Financial Forecast

The table below rolls forward the refreshed Three Year Financial Plan to show the financial landscape over the Ten Year period captured by this LTFS.

	Forecast O/T 2017/18 £m	Budget 2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Gross Expenditure	1,048.8	1,065.7	1,069.9	1,077.7	1,106.1	1,131.5	1,156.2	1,181.6	1,207.6	1,234.5	1,261.3
Forensics	28.6	30.6	29.5	30.3	31.0	31.8	32.6	33.4	34.2	35.1	36.0
SPA Corporate	3.5	4.1	4.2	4.3	4.4	4.5	4.6	4.8	4.9	5.0	5.1
Total	1,080.9	1,100.4	1,103.6	1,112.2	1,141.5	1,167.8	1,193.4	1,219.8	1,246.7	1,274.6	1,302.3
Net Expenditure	1,080.9	1,100.4	1,103.6	1,112.2	1,141.5	1,167.8	1,193.4	1,219.8	1,246.7	1,274.6	1,302.3
Core revenue grant	1,022.4	1,064.8	1,087.7	1,112.2	1,134.0	1,156.3	1,179.0	1,202.1	1,225.7	1,249.8	1,274.3
Other - Reform VAT Funding	20.7	-	-	-	-	-	-	-	-	-	-
Total Funding	1,043.1	1,064.8	1,087.7	1,112.2	1,134.0	1,156.3	1,179.0	1,202.1	1,225.7	1,249.8	1,274.3
Budget (Surplus)/Deficit	37.8*	35.6**	15.9	0.0	7.5	11.5	14.4	17.7	21.0	24.8	28.0

*Includes non-recurring savings of £8.9m. Recurring deficit is £46.7m
**Includes non-recurring costs of £7.4m. Recurring deficit is £28.2m

As with the previous LTFS, the key pressures on the revenue budget are Police Officer and Staff Costs, where it is assumed that the 2018/19 Public Sector Pay Policy will continue unchanged until 2020/21 and thereafter a 2% increase each year has been assumed.

The base model also assumes that Scottish Government Funding will continue to increase by 2% each year.

It is also assumed that reform funding will continue to be made available to support ongoing transformation through to 31 March 2021.

The table shows that after 2020/21 a deficit position would return in the following years based on the assumptions that have been made. If these assumptions materialise, further savings would be required beyond 2020/21 to ensure a balanced budget position in maintained into the longer term.

8 Sensitivities

This section provides indicative analysis on two key assumptions that have a considerable impact on the overall financial position of the organisation. The scenarios captured are:

1. Pay Award

Sensitivity analysis has been undertaken to assess the potential impact of changes to Public Sector Pay Policy (PSPP). The base assumption within the financial model has assumed the following:

- PSPP continues in line with 2018/19 through to 31 March 2021.
- Annual pay awards from 1 April 2021 will be limited to 2%

The sensitivity scenarios modelled reflect the following two scenarios:

1. Pay awards from 1 April 2021 remain in line with existing PSPP.
2. Pay awards from 1April 2021 revert to previous PSPP, of 1% with a minimum award of £400.

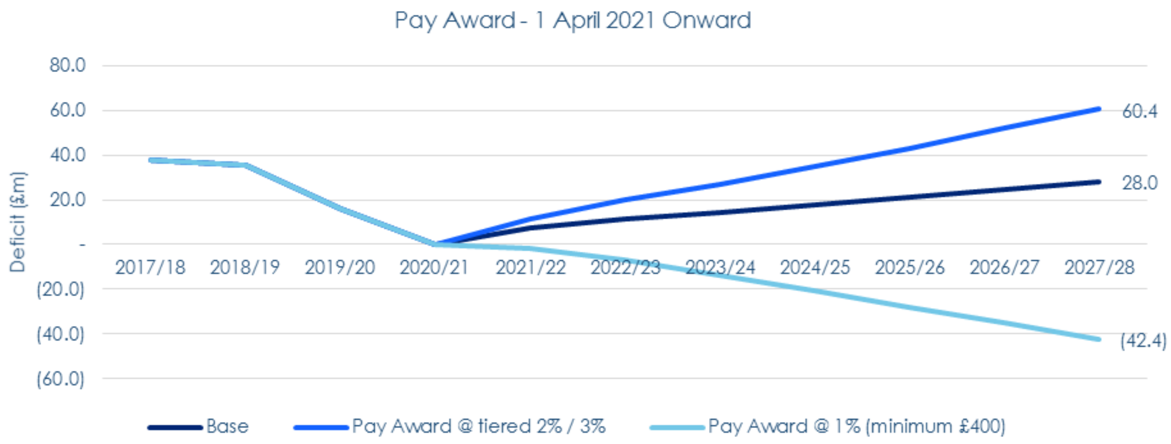

Figure 2 – Pay Award Scenarios

Operating Deficit / (Surplus)	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Base	37.8	35.7	15.9	0.0	7.5	11.5	14.4	17.7	21.0	24.8	28.0
Pay Award @ tiered 2% / 3%	37.8	35.7	15.9	0.0	11.5	19.8	27.1	34.9	43.1	51.9	60.4
Pay Award @ 1% (minimum £400)	37.8	35.7	15.9	0.0	(1.7)	(7.1)	(14.0)	(20.8)	(27.8)	(34.6)	(42.4)

Table 4 – Deficit under different Pay Award scenarios

The figure and table above show that deviating from the base assumption of a 2% pay award from 1 April 2021 generates a material impact on the organisations financial position. Continuing with the existing Pay Policy would increase the forecast deficit in 2027/28 by £32.4m, whilst reverting to previous Pay Policy would improve the financial position by the end of 2027/28 by £70.4m

2. Changes to Funding

It has been assumed that the Scottish Government will honour the commitment made in its 2016 Scottish Election manifesto to protect funding in real terms over the lifetime of the current parliament. This equates to an increase of £100m over 5 years through to 31 March 2021.

Thereafter, there is no commitment to an uplift in funding. Whilst the base assumption is that there will be an increase of 2%, three further scenarios have been modelled. These are:

1. Funding is flat from 2021/22;
2. Funding reduces by 2% in 2021/22 and is flat thereafter; and
3. Funding reduces by 5% in 2021/22 and is flat thereafter.

Operating Deficit / (Surplus)	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Base	37.8	35.6	15.9	0.0	7.5	11.5	14.4	17.7	21.0	24.8	28.0
Flat cash from 2021/22	37.8	35.6	15.9	0.0	29.3	55.6	81.2	107.5	134.5	162.4	190.1
2% Reduction then Flat cash from 2021/22	37.8	35.6	15.9	0.0	51.1	77.4	103.0	129.3	156.3	184.2	211.9
5% Reduction then Flat cash from 2021/22	37.8	35.6	15.9	0.0	83.8	110.1	135.7	162.0	189.0	216.9	244.6

Table 5 – Deficit under different Funding scenarios

The diagram below highlights the significant pressure and the increase in deficit across the three scenarios.

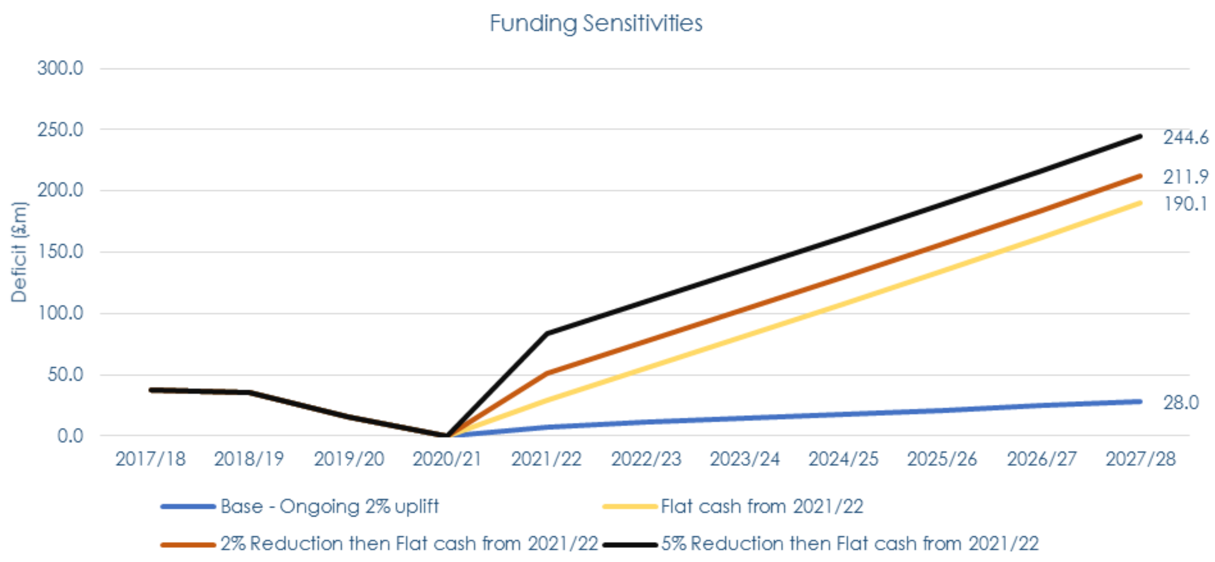

Figure 3 – Variable funding scenarios

Section 11 presents an indicative matrix of what the levels of deficit shown above would mean in terms of Officer and Staff numbers.

9 Indicative Capital Requirement

The capital plan has been developed through collaboration between the finance function, operational and commercial business areas, and the change function. A Capital Investment Group (CIG) was established in the 2017/18 financial year to assess and prioritise capital bids in line with policing priorities and business need, and to agree a capital plan for 2018/19. This group will meet on a quarterly basis to review progress against the capital plan and assess changes to the capital priorities where necessary.

The decision was taken by the CIG to make a distinction between 'business as usual' investments and 'change' investments. Rolling capital programmes were identified and established for 'business as usual' investments in five key areas (Fleet, Estates, ICT, Specialist Policing Equipment and Weaponry), and a key business area lead was appointed as the responsible budget holder for each. Finance worked closely with the responsible budget holders to compile and assess priorities, and to produce capital bids for each of the five rolling programmes. Finance also worked in collaboration with programme and project managers within the change function to produce capital bids for transformation activities that form part of the Policing 2026 change portfolio.

Original capital bids received by the CIG for 2018/19 totalled £71.9m (£35.7m of 'business as usual' investments and £36.2m of 'change' investments). The bids were scrutinised by the CIG and a check and challenge process was undertaken with leads for the 'business as usual' and 'change' bids. This included assessing bids based on a number of key criteria, including:

- Strategic priority;
- Operational benefit;
- Operational risk;
- 2018/19 savings potential;
- Long term savings potential; and
- Deliverability in 2018/19.

The capital plan will be a key enabler to transforming the organisation as a number of projects within the portfolio require significant capital investment to unlock future efficiency gains.

Whilst significant amounts of capital are earmarked for rolling and change programme spend over the next three years, the specific level of investment is not yet known, only an indicative range is available at this time. Greater value would therefore be derived from presenting capital costs from 2021/22 onward at such time as robust plans are developed and project prioritisation has taken place.

The indicative capital budget for future years has been established in line with the allocated budget and priorities for 2018/19.

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Capital (Annual Rolling Programmes)					
Estates	4.4	8.5	10.0	TBC	TBC
Fleet	5.0	11.2	12.0	TBC	TBC
ICT	6.3	10.1	10.1	TBC	TBC
Specialist Policing Equipment	2.9	4.0	4.0	TBC	TBC
Weaponry	1.4	1.9	1.5	TBC	TBC
Capital (Change Programmes)					
Corp. Sup. Serv. Transformation	0.5	3.5	3.5	TBC	TBC
Commercial Services	1.1	5.0	3.0	TBC	TBC
Custody / Criminal Justice Services	2.8	4.3	2.5	TBC	TBC
Digital Enabled Policing	6.4	19.6	15.0	TBC	TBC
Cybercrime Capability	0.5	4.0	2.5	TBC	TBC
Payroll	0.1	0.0	0.0	TBC	TBC
National Network	1.7	1.3	0.0	TBC	TBC
ADEL	4.7	1.3	0.0	TBC	TBC
Digital ICCS	2.5	1.3	0.0	TBC	TBC
ANPR	0.2	0.0	0.0	TBC	TBC
ICT – Data and Digital Review	TBC – Indicatively between £120m and £190m over 5 years.				
ESMCP	TBC – Indicatively c£65m in 2020/21. Assumed to be funded by SG.				
Estates new build	Work ongoing to confirm value and timeframe				
SPA / Forensics	1.1	1.1	1.1	TBC	TBC
Total Indicative Capital Plan	**41.6**	**77.1**	**65.2**	**TBC**	**TBC**

Table 6 - Indicative Capital Budget

As documented in section 4, work is ongoing to identify and validate the costs to deliver the ICT Data & Digital Strategy. Future versions of the LTFS will fully capture the emerging costs from this piece of work.

In the event that delivery of the capital plan is in line with proposals, additional bids will be made to Scottish Government during 2019/20 and 2020/21 to secure further capital allocations to fund these projects.

10 Indicative Reform Requirement

The Scottish Government provides Police Scotland additional reform funding to be used to support change and transformation for policing through the delivery of Policing 2026.

Police Scotland consider the funding requirements from business areas for investment which is aligned to the Policing 2026 programme and that will directly deliver transformational change. Table 7 below summarises the high level identification of this spend.

Revenue Reform	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Funding	**25.0**	**25.0**	**25.0**	-	-
Committed Expenditure					
Cost of TRCG resourcing	9.2	10.2	5.2	-	-
Planned Expenditure					
TRCG New	3.5	-	-	-	-
Professional Services	7.7	7.0	5.0	-	-
Digital & Efficiency Transformation	1.4	2.0	2.0	-	-
Corp Services Transformation	0.5	3.0	5.0	-	-
Operation Policing Transformation	0.6	2.0	2.0	-	-
VR VER	2.1	6.0	10.0	-	-
Non-recurring pay cost	-	5.5	5.5	-	-
Total Committed & Planned Expenditure	**25.0**	**35.7**	**34.7**	-	-
Oversubscription		**(10.7)**	**(9.7)**	-	-
Budget	**25.0**	**25.0**	**25.0**	-	-

Table 7 - Indicative Reform Budget

The indicative reform budget for future years has been established in line with the allocated budget for 2018/19.

Business cases are required to support the allocation of reform funding, in line with the Police Scotland Investment Governance Framework. These are considered for approval internally by Police Scotland and subsequently require the approval of the SPA and Scottish Government prior to the release of funding. The use of this funding is monitored separately from revenue and capital budgets as a distinct funding source.

11 Addressing Future Deficits

The Police Scotland budget is currently c. 90% pay costs. In order to address future operating deficits, reductions to pay budgets would have to be considered should savings be required.

The matrix below presents the mix of Officer and Staff numbers required to deliver varying levels of savings based on average salaries.

£m	Officers										
	0	100	200	300	400	500	600	700	800	900	1,000
Staff											
0	0.0	4.2	8.4	12.6	16.8	21.0	25.2	29.4	33.6	37.8	42.0
100	3.0	7.2	11.4	15.6	19.8	24.0	28.2	32.4	36.6	40.8	45.0
200	6.0	10.2	14.4	18.6	22.8	27.0	31.2	35.4	39.6	43.8	48.0
300	9.0	13.2	17.4	21.6	25.8	30.0	34.2	38.4	42.6	46.8	51.0
400	12.0	16.2	20.4	24.6	28.8	33.0	37.2	41.4	45.6	49.8	54.0
500	15.0	19.2	23.4	27.6	31.8	36.0	40.2	44.4	48.6	52.8	57.0
600	18.0	22.2	26.4	30.6	34.8	39.0	43.2	47.4	51.6	55.8	60.0
700	21.0	25.2	29.4	33.6	37.8	42.0	46.2	50.4	54.6	58.8	63.0
800	24.0	28.2	32.4	36.6	40.8	45.0	49.2	53.4	57.6	61.8	66.0
900	27.0	31.2	35.4	39.6	43.8	48.0	52.2	56.4	60.6	64.8	69.0
1,000	30.0	34.2	38.4	42.6	46.8	51.0	55.2	59.4	63.6	67.8	72.0

Table 8– Pay Savings Matrix

The current implementation plan for Policing 2026 relates to the initial three year period (2017-2020), with plans for future iterations to be developed on a rolling three year basis. The required level of savings would therefore be factored into the organisations planning activities for the period from 1 April 2020 onward for the second Policing 2026 implementation plan.